

Foundation for the Diocese of Helena, Inc.

Financial Statements and
Independent Auditor's Report

Years ended June 30, 2016 and 2015

WIPFLI^{LLP}
CPAs and Consultants



Independent Auditor's Report

Board of Trustees

Foundation for the Diocese of Helena, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Foundation for the Diocese of Helena, which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for the Diocese of Helena as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses appearing on pages 24 and 25 are presented for the purpose of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP

December 29, 2016

Helena, Montana

Foundation for the Diocese of Helena, Inc.

Statements of Financial Position

<i>As of June 30,</i>	2016	2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,047,998	\$ 753,380
Pledges receivable, net of allowance	115,742	267,152
Related party receivables	18,995	93,542
Current portion of related party note receivable	34,056	30,077
Total current assets	1,216,791	1,144,151
Noncurrent assets:		
Investments	23,257,752	23,409,026
Beneficial interest in annuities held by related party	406,650	464,080
Beneficial interest in charitable remainder trusts	255,433	287,309
Pledges receivable, net of allowance and discount	98,508	227,374
Loan fees, net of amortization of \$187	17,741	18,488
Non-current portion of related party note receivable	688,805	762,310
Other assets	1,020	-
Total non-current assets	24,725,909	25,168,587
Property and equipment, net:		
Land	1,954,250	1,954,250
Buildings, net of accumulated depreciation	1,579,789	1,620,558
Software and equipment, net of accumulated depreciation	2,571	3,523
Total property and equipment, net	3,536,610	3,578,331
TOTAL ASSETS	\$ 29,479,310	\$ 29,891,069

Foundation for the Diocese of Helena, Inc.
Statements of Financial Position (Continued)

<i>As of June 30,</i>	2016	2015
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 1,893	\$ 1,706
Accrued liabilities	26,899	5,782
Deferred revenue	46,544	5,544
Earnings and grant distribution payable	92,438	244,943
In-kind contribution payable to related party	6,170	5,925
Grant and distribution payable, due to related party	164,650	100,000
Current portion of note payable	75,671	39,025
Total current liabilities	414,265	402,925
Non-current liabilities:		
Notes payable	1,845,431	2,650,628
Non-current portion of in-kind contribution payable to related party	3,572,387	3,578,337
Annuity obligations payable	120,555	69,441
Total non-current liabilities	5,538,373	6,298,406
Total liabilities	5,952,638	6,701,331
Net assets:		
Unrestricted	310,428	553,999
Unrestricted - board designated	142,006	-
Unrestricted deficit - board designated for Legendary Lodge	(2,001,422)	(2,674,173)
Temporarily restricted	4,073,444	5,094,083
Permanently restricted	21,002,216	20,215,829
Total net assets	23,526,672	23,189,738
TOTAL LIABILITIES AND NET ASSETS	\$ 29,479,310	\$ 29,891,069

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

Statement of Activities

<i>Year Ended June 30, 2016</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	\$ -	\$ 667,601	\$ 779,872	\$ 1,447,473
Interest and dividends	12	606,015	-	606,027
Realized and unrealized gains and (losses)	-	(212,028)	(3,296)	(215,324)
Change in cash surrender value of life insurance	(124,137)	37,564	85,393	(1,180)
Change in value of split interest agreements	-	(4,108)	(75,582)	(79,690)
In-kind contribution revenue	113,453	-	-	113,453
Administrative and annuity management fees	296,146	-	-	296,146
Net assets released from restrictions	2,115,683	(2,115,683)	-	-
Total revenues, gains and other support	2,401,157	(1,020,639)	786,387	2,166,905
Expenses:				
Program	1,257,630	-	-	1,257,630
Fundraising	53,412	-	-	53,412
Management and general	518,929	-	-	518,929
Total expenses	1,829,971	-	-	1,829,971
Change in net assets	571,186	(1,020,639)	786,387	336,934
Net assets, beginning of year	(2,120,174)	5,094,083	20,215,829	23,189,738
Net assets, end of year	\$ (1,548,988)	\$ 4,073,444	\$ 21,002,216	\$ 23,526,672

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

Statement of Activities

<i>Year Ended June 30, 2015</i>	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	\$ 150	\$ 2,129,354	\$ 226,169	\$ 2,355,673
Interest and dividends	-	493,457	-	493,457
Realized and unrealized gains (losses)	(9,987)	(268,633)	-	(278,620)
Change in cash surrender value of life insurance	-	18,326	-	18,326
Change in value of split interest agreements	-	(35,888)	556,191	520,303
Miscellaneous revenue	24,896	-	-	24,896
Administrative and annuity management fees	363,925	-	-	363,925
Net assets released from restrictions	2,403,256	(2,403,256)	-	-
Total revenues, gains and other support	2,782,240	(66,640)	782,360	3,497,960
Expenses:				
Program	4,776,083	-	-	4,776,083
Fundraising	16,760	-	-	16,760
Management and general	575,688	-	-	575,688
Total expenses	5,368,531	-	-	5,368,531
Change in net assets	(2,586,291)	(66,640)	782,360	(1,870,571)
Net assets, beginning of year, restated	466,117	5,160,723	19,433,469	25,060,309
Net assets, end of year	\$ (2,120,174)	\$ 5,094,083	\$ 20,215,829	\$ 23,189,738

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

Statements of Cash Flows

<i>Years Ended June 30,</i>	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 336,934	\$ (1,870,571)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,468	11,332
Unrealized loss on investments	291,914	64,827
Changes in operating assets and liabilities:		
Due to/from related party	74,547	(93,182)
Pledges receivable	280,276	(494,526)
Interest receivable	-	45,884
Beneficial interest in annuity held by RCB	57,430	(464,080)
Beneficial interest in charitable remainder trust	31,876	32,349
Loan fee	-	(18,675)
Other asset	(1,020)	-
Accounts payable	187	(5,044)
Accrued liabilities	21,117	(944)
Deferred revenue	41,000	-
Earnings distributions payable	(152,505)	38,449
In-kind contribution payable	(5,705)	3,584,262
Grant and distribution payable, due to related party	64,650	(102,487)
Due to related party	-	(1,303)
Net cash provided by operating activities	1,083,169	726,291
Cash flows from investing activities:		
Purchase of investments	(6,741,630)	(7,386,311)
Proceeds from sale of investments	6,600,990	7,151,298
Purchase of fixed assets	-	(3,585,000)
Payments received on related party note receivable	69,526	21,328
Net cash from annuity obligation	51,114	35,762
Net cash used in investing activities	(20,000)	(3,762,923)
Cash flows from financing activities:		
Cash received from note payable	-	2,700,000
Cash paid on note payable	(768,551)	(10,347)
Net cash (used in) provided by financing activities	(768,551)	2,689,653
Cash and cash equivalents at beginning of year	753,380	1,100,359
Cash and cash equivalents at end of year	\$ 1,047,998	\$ 753,380
Cash paid for interest	\$ 111,314	\$ 17,984

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Foundation for the Diocese of Helena, Inc. (the Foundation) is a non-profit corporation. The primary purpose of the Foundation is to create permanent endowments whose income will be used to fulfill the following goals:

- a) To promote, expand and strengthen the Roman Catholic Church in the Diocese of Helena;
- b) To support and assist, financially or in any other manner, the religious, educational, charitable and medical institutions or programs operated by or under the auspices of the Diocese of Helena;
- c) To promote Roman Catholic doctrines, evangelism, Christian education and missionary work in the Diocese of Helena, and that are undertaken by said Diocese elsewhere and;
- d) To assist worthy, talented or needy men and women in pursuing studies useful to the Diocese of Helena.

A Board of Trustees (the Board) manages the affairs and assets of the Foundation. Trustees are nominated and approved by the Board.

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

Unrestricted net assets are the net assets of the Foundation that are neither permanently restricted nor temporarily restricted. Thus, they include all net assets whose use has not been restricted by donors or by law. Board designations, which are voluntary board-approved segregations of net assets for specific purposes, projects, or investments, are also a part of unrestricted net assets.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or may not be met, either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Foundation considers all highly liquid debt instruments with an original maturity of six months or less to be cash equivalents. From time to time, certain bank accounts that are subject to limited FDIC coverage exceeded their insured limits. At June 30, 2016 there was \$88,476 held by the Foundation at financial institutions exceeding federally insured limits.

Investments

The Foundation carries investments in marketable securities with readily determined fair values and all investments in debt securities at their fair values in the statement of financial position. Quoted market prices in active markets are used as the basis of measurement. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

Investments are generally recorded at fair value based upon quoted market prices, when available, or estimates of fair value. Donated assets are recorded at fair value at the date of donation, or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Those investments for which fair value is not readily determinable are carried at cost or, if donated, at fair value at the date of donation, or if no value can be estimated, at a nominal value. Investment income or loss and unrealized gains or losses are included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

Annual administrative fees of 1.25% (totaling \$285,682 for the year ended June 30, 2016), and 1.5% (totaling \$351,653 for the year ended June 30, 2015), of fair market value were assessed to all participants in the investment pool to fund Foundation operations. The investment fee is netted with the investment earnings.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments (Continued)

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Property and Equipment

All acquisitions and improvements of property and equipment of \$1,000 or more, with an estimated useful life longer than one year, are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment is carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets as follows:

Software	3 years
Building	40 years
Loan Fees	40 years

Accumulated depreciation as of June 30, 2016 and 2015 was \$86,330 and \$43,862, respectively.

Annuities Held by RCB

Annuities held by the Roman Catholic Diocese of Helena (RCB) include beneficial interests in charitable gift annuities held by RCB, which are carried at the estimated net realizable value to the Foundation. Net estimated realizable value is calculated by subtracting the estimated annuity liability based on the original discount rate and the life expectancy of the donor from the annuity pool investment fair value.

The approved and confirmed Chapter 11 Reorganization Plan allows for the Annuity Fund to continue serving its charitable purpose. As of June 30, 2016 and 2015, the value of the Foundation's beneficial interest of the annuities held at RCB are \$406,650 and \$464,080, respectively, and the value of the terminated or matured annuities not yet paid to the Foundation are \$13,725 and \$92,111, respectively.

Concentrations

Concentrations of credit risk with respect to pledges receivable are minimal due to the large number of contributors comprising the Foundation's contributor base and their dispersion across different industries. The Foundation's contribution income is subject to the general economic conditions of western Montana.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Promises to Give

Unconditional promises to give (pledges) are recorded as receivables in the year pledged. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Pledges and other promises to give whose eventual uses are restricted by the donors are recorded as increases in temporarily restricted net assets. Unrestricted pledges to be collected in future periods are also recorded as an increase to temporarily restricted net assets and reclassified to unrestricted net assets when received, unless the donor's intention is to support current-period activities.

Pledges receivable expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in future years are recorded at the present value of estimated future cash flows on a discounted basis applicable to the years in which the promises were received. The amortization of the discount is recognized as contribution income over the duration of the pledge.

Management individually reviews all past due pledge receivable balances and estimates the portion, if any, of the balance that will not be collected. The carrying amounts of pledges receivable are reduced by allowances that reflect management's estimate of uncollectible amounts.

Income Taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Planned Gift Liabilities

Various planned giving instruments commit the Foundation to future payments to designated beneficiaries as part of the contribution. The following summarizes the types of planned giving instruments and associated liabilities carried by the Foundation:

Charitable and Deferred Gift Annuities

Charitable gift annuities require regularly scheduled payments at a fixed rate specified in the contract to a designated beneficiary over the beneficiary's lifetime, with payments commencing upon contribution. The payment is based on the value of the assets at the date of donation. Deferred gift annuities are similar but delay the start of annual payments to a future date. The financial statements include a liability representing the present value of the payments required by those contracts over the beneficiaries' expected lives as determined by mortality tables.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. There were no donated services recognized during 2016 or 2015.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Fair Value Measurements

The Foundation measures the fair value of its financial instruments using a three-tier hierarchy, which prioritizes the inputs used in measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to significant unobservable inputs (level 3 measurements). The Foundation determines fair value by:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical asset or liabilities in active markets that the Foundation has the ability to access, and where transactions occur within.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs, other than quoted prices, that are observable for the asset or liability; and
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 Inputs to the valuation methodology reflect management's assumptions about significant unobservable inputs that market participants would use in pricing the asset or liability.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Retirement Plan

For year ended June 30, 2015, the Foundation employees participated in the 403(b) retirement plan, managed by the Diocese of Helena which covers all employees who work at least 20 hours per week and have completed six months of service. Contributions to the Plan are matched dollar for dollar with a maximum of 3% of eligible wages.

Beginning January 1, 2015, the Foundation employees participated in the 401(k) retirement plan, managed by the Foundation which covers all employees who work at least 20 hours per week. Contributions to the Plan are matched dollar for dollar with a maximum of 3% of eligible wages.

Retirement contributions for the years ended June 30, 2016 and 2015 were \$2,957 and \$2,901, respectively.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through December 29, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events that required recognition.

Note 2: Pledges Receivable (or Unconditional Promises to Give)

Pledges receivable (or unconditional promises to give) at June 30, 2016 and 2015 are as follows:

	2016	2015
Receivable in less than one year	\$ 122,579	\$ 282,935
Receivable in one to five years	122,580	282,935
Total unconditional promises to give	245,159	565,870
Less discount to net present value	(17,233)	(39,778)
Less allowance for uncollectible promises receivable	(13,676)	(31,566)
Net unconditional promises to give	\$ 214,250	\$ 494,526

Pledges receivable in more than one year are discounted at 5% based on the Foundation's borrowing rate.

Note 3: Investments

Investments consisted of the following at June 30:

	June 30, 2016	
	Cost Basis	Fair Value
Stocks	\$ 6,254,791	\$ 8,691,542
Bonds	4,430,030	4,434,207
Mutual funds	9,161,954	9,264,013
Real estate funds	740,530	751,413
Life insurance	63,785	116,577
	\$ 20,651,090	\$ 23,257,752

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 3: Investments (Continued)

	June 30, 2015	
	Cost Basis	Fair Value
Stocks	\$ 5,788,283	\$ 8,601,738
Bonds	4,595,499	4,546,541
Mutual funds	9,491,921	10,038,525
Real estate funds	21,530	19,073
Life insurance	63,785	203,149
	\$ 19,961,018	\$ 23,409,026

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

The Foundation is the beneficiary of several donated life insurance policies. The cash surrender value of the policies is shown as an asset of the Foundation. For one policy, the individual donates the premium amount to the Foundation each year and the Foundation then pays the premium. The donation is shown as a contribution and the premium is shown as life insurance expense. For the other policies, the premiums were paid by the Foundation in 2016 and 2015.

The following is a schedule of face value and cash surrender values of the life insurance policies, which are included in investments in the financial statements as of June 30, 2016 and 2015:

	2016	2015
Cash surrender value:		
Peter Sullivan (face value \$50,000)	\$ 37,564	\$ 36,124
Gerald Kuhl (face value \$130,000)	-	85,393
Alexander Brunett (face value \$200,000)	61,214	63,433
Elden Curtiss (face value \$100,000)	17,799	18,199
	\$ 116,577	\$ 203,149

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 4: Beneficial Interest in Charitable Remainder Trusts

Beneficial interest in charitable remainder trusts consist of the following at June 30, 2016 and 2015:

	2016	2015
Margaret Quinn Unitrust	\$ 255,433	\$ 287,309

The Foundation is named as beneficiary of 100% of the Quinn trust assets; however, 50% of the assets are restricted for support of non-related, non-religious entities. Changes in the market value of the trusts from year to year are shown as changes in the value of split-interest agreements in the financial statements.

Note 5: Fair Value Measurements

Following is a description of the valuation methodologies used for assets measured at fair value.

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities (common and preferred stock). Money market funds, equity funds, and fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data. The fair value of alternative investments is based on the net asset value per share as a practical expedient. Beneficial interest in charitable remainder trusts held by others are measured at the present value of future cash flows considering the estimated return on the invested assets during the expected terms of the agreements, the contractual obligations under the agreement, and a discount rate based on the risks involved.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 5: Fair Value Measurements (Continued)

The following tables present the balances of assets measured at fair value on a recurring basis by level within the fair value hierarchy at June 30:

	June 30, 2016				
	Cost	Level 1	Level 2	Level 3	Total
Stocks	\$ 6,254,791	\$ 8,691,542	\$ -	\$ -	\$ 8,691,542
Bonds	4,430,030	4,434,207	-	-	4,434,207
Mutual funds	9,161,954	9,129,763	-	134,250	9,264,013
Real asset funds	740,530	751,413	-	-	751,413
Life insurance	63,785	-	-	116,577	116,577
Beneficial interest in annuities held by third party	-	-	-	406,650	406,650
Beneficial interest in charitable remainder trust	-	-	-	255,433	255,433
Total	\$ 20,651,090	\$ 23,006,925	\$ -	\$ 912,910	\$ 23,919,835

	June 30, 2015				
	Cost	Level 1	Level 2	Level 3	Total
Stocks	\$ 5,788,283	\$ 8,601,738	\$ -	\$ -	\$ 8,601,738
Bonds	4,595,499	4,546,541	-	-	4,546,541
Mutual funds	9,491,921	9,892,150	-	146,375	10,038,525
Real asset funds	21,530	19,073	-	-	19,073
Life insurance	63,785	-	-	203,149	203,149
Beneficial interest in annuities held by third party	-	-	-	464,080	464,080
Beneficial interest in charitable remainder trust	-	-	-	287,309	287,309
Total	\$ 19,961,018	\$ 23,059,502	\$ -	\$ 1,100,913	\$ 24,160,415

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 6: Related Parties

On January 31, 2014, the RCB filed Chapter 11 bankruptcy; the Chapter 11 Plan was approved and confirmed on March 5, 2015. During bankruptcy process, the Foundation modified its secured loan agreement with the Diocese, reducing the interest rate and forgiving interest accrued but not paid during bankruptcy. Monthly loan payments resumed post-bankruptcy in April 2015 under the modified loan terms.

Receivable/Payable

As of June 30, 2016 and 2015, \$14,225 and \$1,431 was due from RCB, respectively. As of June 30, 2016 and 2015, \$164,650 and \$156,243 was due to RCB, respectively.

Loans Receivable

The Foundation loaned operating cash to the RCB in 2005. During bankruptcy, RCB did not make monthly loan payments (February 2014 - March 2015). On February 5, 2015, the Foundation modified the loan terms which were approved in RCB's bankruptcy Reorganization Plan. The new terms are monthly principal and interest payments of \$4,615, due on the 18th of the month. Interest is charged at 3.25% and the loan matures March 18, 2035. \$45,884 in accrued interest was written off in 2015. Unpaid principal not paid during bankruptcy has been added to the current amount from RCB for fiscal year 2015. The principal amounts remaining were \$722,861 and \$792,387 at June 30, 2016 and 2015, respectively.

Principal payments due under the loan are as follows:

2017	\$	34,056
2018		33,494
2019		34,599
2020		35,740
2021		36,919
Thereafter		548,053
Total	\$	722,861

Other Fees

Administrative fees are paid to and received from the RCB are based on agreements. Rent and annuity administration fees are negotiated each year. For the years ended June 30, 2016 and 2015, Rent paid from the Foundation to the RCB was \$6,000, and annuity administration fees paid from the RCB to the Foundation were \$2,000.

Grant

The Foundation committed to give a two-year grant to the Diocese of Helena in the amount of \$125,000 per fiscal year 2014 and 2015. Funds from the fiscal year 2014 grant not dispersed as of year-end were added to the 2015 fiscal year grant. On June 4, 2015, the Foundation extended the term of the remaining grant funds, to be expended no later than one month following the release of all liens on the Legendary Lodge property. As of June 30, 2015 the remaining grant commitment due to the Diocese was \$100,000 and during fiscal year 2016, the grant was fully paid.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 6: Related Parties (Continued)

Legendary Lodge: In-kind contribution

On March 17, 2015, the Foundation purchased the property known as Legendary Lodge from RCB. Prior to purchase, the Foundation obtained an independent appraisal of the property (including land, buildings, and improvements) from a commercial real estate appraiser. The Foundation purchased the Legendary Lodge property from RCB in an arms-length transaction for the appraised value of \$3,585,000.

To purchase the Legendary Lodge property, the Foundation borrowed \$1,700,000 from Opportunity Bank and \$1,000,000 from St. Francis Assisi Parish. In Fiscal Year 2015 the Foundation began a fundraising campaign titled "Preserve the Legacy of Legendary Lodge," and \$903,665 of the funds raised from the campaign was used toward earnest money and down payment at closing. As of June 30, 2016, \$1,921,102 in debt remained on the two loans.

In March 2015, the Foundation signed a 100 year lease with RCB, donating the exclusive use of all buildings, land and water rights of the Legendary Lodge to RCB. The terms of the lease are as follows:

- RCB shall pay the Foundation \$1 per year
- RCB is responsible for maintenance costs and is responsible for loss, liability, damage or expense

Under generally accepted accounting principles, the lease constituted an in-kind contribution to RCB. For the year ended June 30, 2015, the Foundation recognized an in-kind contribution expense for the full value of the Legendary Lodge (\$3,585,000) and an in-kind contribution payable, representing the future in-kind contribution obligation. On an annual basis, the in-kind contribution payable will be reduced and in-kind lease revenue will be recognized at an amortized rate of 3% over 100 years. The in-kind contribution resulted in an unrestricted deficit of \$2,001,422 and \$2,674,173 as of June 30, 2016 and 2015, respectively; which is the cumulative difference between the contribution expense and "Preserve the Legacy of Legendary Lodge" campaign receipts. As of June 30, 2016 and 2015, the in-kind contribution payable balance is \$3,578,557 and \$3,584,262, respectively, with \$113,453 recognized as in-kind lease revenue and \$107,749 recognized as in-kind contribution expense for the year ended June 30, 2016.

Note 7: Planned Gift Liabilities

The Foundation accepted charitable gift annuities where the Foundation is a remainder beneficiary in 2016 and 2015. GAAP requires a liability to be recorded for the present value of the annuity payments payable to the gift annuitant.

The liability changes each year with receipt of new gifts, payments under contracts, change in trust asset values, and the change in the present value of required payments to beneficiaries. The present value of the estimated future payments was calculated using discount rates applicable at the date of the gift, which ranges from 2.0% to 2.2%, and applicable mortality tables. As of June 30, 2016 and 2015, the liability was \$120,555 and \$69,441, respectively.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 8: Notes Payable

In 2015, the Foundation obtained a \$1,700,000 loan from Opportunity Bank for the purchase of Legendary Lodge. Interest on the note is 4.5% with monthly payments of \$9,443. The note is due in March 2040. The outstanding principal balance as of June 30, 2016 and 2015 was \$921,102 and \$1,689,653, respectively.

In 2015, the Foundation obtained a \$1,000,000 loan from St. Francis Parish for the purchase of Legendary Lodge. Interest on the note is at 4% with interest only payments of \$40,000 due annually. The full amount of principal and interest is due in March 2020. The outstanding principal balance as of June 30, 2016 and 2015 was \$1,000,000. The Foundation has the following notes payable as of June 30:

	2016
2017	\$ 75,671
2018	76,850
2019	80,380
2020	1,084,073
2021	87,935
Thereafter	516,193
Total	\$ 1,921,102

Note 9: Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2016	2015
Parish	\$ 554,258	\$ 574,223
Program	2,834,748	4,110,110
Gift annuity	684,438	409,750
Total	\$ 4,073,444	\$ 5,094,083

Permanently restricted net assets are endowed for the following purposes at June 30:

<i>As of June 30,</i>	2016	2015
Parish	\$ 3,074,762	\$ 2,382,740
Program	17,507,080	17,276,898
Beneficial interest in annuities held by RCB	420,374	556,191
Total	\$ 21,002,216	\$ 20,215,829

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 9: Restricted Net Assets (Continued)

The beneficial interest in annuities relates to annuities held at the RCB. In June 30, 2014, \$1,429,716 of the Foundation's beneficial interest in annuities held by RCB were fully written off, due to RCB's bankruptcy filing in January 2014. After the bankruptcy was finalized in 2015, the Foundation and RCB evaluated the remaining annuities and re-calculated the Foundation's interest. The Foundation recognized a loss of \$75,582 from the change in value in beneficial interest in annuities in 2016 and a \$556,191 gain in 2015.

Note 10: Endowment Funds

The Foundation's endowment consists of one fund managed by the Foundation. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation Board has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA.

In accordance with MUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of the Foundation and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources of the Foundation; and
- (7) The investment policies of the Foundation.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 10: Endowment Funds (Continued)

Changes in net asset composition by type of fund for the years ended June 30, 2016 and 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, as restated, June 30, 2014	\$ -	\$ 4,857,365	\$ 19,433,469	\$ 24,290,834
Investment return:				
Contributions	-	13,366	226,169	239,535
Beneficial interest in annuities	-	-	556,191	556,191
Investment income, net of fees	-	396,576	-	396,576
Net depreciation	-	(137,046)	-	(137,046)
Appropriation of endowment assets for expenditure	-	(1,243,034)	-	(1,243,034)
Endowment net assets, as of June 30, 2015	\$ -	\$ 3,887,227	\$ 20,215,829	\$ 24,103,056
Investment return:				
Contributions	-	-	779,872	779,872
Beneficial interest in annuities	-	-	(75,582)	(75,582)
Investment income, net of fees	-	1,081,517	91,319	1,172,836
Net depreciation	-	(674,165)	(9,222)	(683,387)
Appropriation of endowment assets for expenditure	-	(1,247,231)	-	(1,247,231)
Endowment net assets as of June 30, 2016	\$ -	\$ 3,047,348	\$ 21,002,216	\$ 24,049,564

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that a donor or MUPMIFA requires the foundation to retain as a fund of perpetual duration. As of June 30, 2016, there were nine funds with deficiencies totaling \$26,293 and there were four funds with deficiencies totaling \$14,925 as of June 30, 2015.

Return Objectives and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for donor-specified periods. The general investment objective is to provide a reasonable current rate of return as well as the potential for long-term growth of income to maintain the purchasing power of the fund over the longer term. The Foundation expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Trustees and to grow equity assets. Actual returns in any given year may vary from this amount.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 10: Endowment Funds (Continued)

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