

Foundation for the Diocese of Helena, Inc.

Financial Statements and
Independent Auditor's Report

Years ended June 30, 2017 and 2016

WIPFLi^{LLP}
CPAs and Consultants



Independent Auditor's Report

Board of Trustees
Foundation for the Diocese of Helena, Inc.
Helena, MT

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, 2017, and 2016, 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, 2017, and 2016, 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

February 15, 2018
Helena, Montana

Foundation for the Diocese of Helena, Inc.

Statements of Financial Position

<i>As of June 30,</i>	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,609,481	\$ 1,047,998
Pledges receivable, net of allowance	39,941	115,742
Related party receivables	1,661	18,995
Current portion of related party note receivable	36,378	34,056
Total current assets	1,687,461	1,216,791
Non-current assets:		
Investments	25,401,626	23,257,752
Beneficial interest in annuities held by related party	391,105	406,650
Beneficial interest in charitable remainder trusts	753,474	255,433
Pledges receivable, net of allowance and discount	38,635	98,508
Non-current portion of related party note receivable	604,993	688,805
Other assets	1,020	1,020
Total non-current assets	27,190,853	24,708,168
Property and equipment, net:		
Land	1,954,250	1,954,250
Buildings, net of accumulated depreciation	1,539,020	1,579,789
Software and equipment, net of accumulated depreciation	2,868	2,571
Total property and equipment, net	3,496,138	3,536,610
TOTAL ASSETS	\$ 32,374,452	\$ 29,461,569

Foundation for the Diocese of Helena, Inc.

Statements of Financial Position (Continued)

<i>As of June 30,</i>	2017	2016
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 6,250	\$ 1,893
Accrued liabilities	10,220	26,899
Deferred revenue	1,335	46,544
Earnings and grant distribution payable	120,749	92,438
In-kind contribution payable to related party	6,355	6,170
Grant and distribution payable, due to related party	201,062	164,650
Current portion of note payable	54,181	75,671
Total current liabilities	400,152	414,265
Non-current liabilities:		
Notes payable	1,263,776	1,827,690
Non-current portion of in-kind contribution payable to related party	3,566,032	3,572,387
Annuity obligations payable	189,125	120,555
Total non-current liabilities	5,018,933	5,520,632
Total liabilities	5,419,085	5,934,897
Net assets:		
Net assets without donor restrictions	361,166	310,428
Net assets without donor restrictions - board designated	142,006	142,006
Net assets without donor restrictions deficit - board designated for Legendary Lodge	(1,439,521)	(2,001,422)
Net assets with donor restrictions	27,891,716	25,075,660
Total net assets	26,955,367	23,526,672
TOTAL LIABILITIES AND NET ASSETS	\$ 32,374,452	\$ 29,461,569

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

Statement of Activities

<i>Year Ended June 30, 2017</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 1,840	\$ 2,215,567	\$ 2,217,407
Interest and dividends	4	628,862	628,866
Realized and unrealized gains and (losses)	-	1,918,170	1,918,170
Change in cash surrender value of life insurance	18,322	9,099	27,421
Change in value of split interest agreements	-	11,330	11,330
Miscellaneous revenue	10,912	-	10,912
In-kind contribution revenue	113,453	-	113,453
Endowment and annuity management fees	7,211	-	7,211
Net assets released from restrictions	1,966,972	(1,966,972)	-
Total revenues, gains and other support	2,118,714	2,816,056	4,934,770
Expenses:			
Program	1,261,923	-	1,261,923
Fundraising	24,149	-	24,149
Management and general	220,003	-	220,003
Total expenses	1,506,075	-	1,506,075
Change in net assets	612,639	2,816,056	3,428,695
Net assets, beginning of year	(1,548,988)	25,075,660	23,526,672
Net assets, end of year	\$ (936,349)	\$ 27,891,716	\$ 26,955,367

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

Statement of Activities

<i>Year Ended June 30, 2016</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ -	\$ 1,447,473	\$ 1,447,473
Interest and dividends	12	606,015	606,027
Realized and unrealized gains (losses)	-	(215,324)	(215,324)
Change in cash surrender value of life insurance	(124,137)	122,957	(1,180)
Change in value of split interest agreements	-	(79,690)	(79,690)
In-kind contribution revenue	113,453	-	113,453
Endowment and annuity management fees	2,001	-	2,001
Net assets released from restrictions	2,115,683	(2,115,683)	-
Total revenues, gains and other support	2,107,012	(234,252)	1,872,760
Expenses:			
Program	1,257,630	-	1,257,630
Fundraising	53,412	-	53,412
Management and general	224,784	-	224,784
Total expenses	1,535,826	-	1,535,826
Change in net assets	571,186	(234,252)	336,934
Net assets, beginning of year, restated	(2,120,174)	25,309,912	23,189,738
Net assets, end of year	\$ (1,548,988)	\$ 25,075,660	\$ 23,526,672

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

Statements of Cash Flows

<i>Years Ended June 30,</i>	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 3,428,695	\$ 336,934
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	41,972	42,468
Unrealized (gain) loss on investments	(822,194)	291,914
Changes in operating assets and liabilities:		
Due to/from related party	17,334	74,547
Pledges receivable	135,674	280,276
Beneficial interest in annuity held by RCB	15,545	57,430
Beneficial interest in charitable remainder trust	(498,041)	31,876
Other asset	-	(1,020)
Accounts payable	4,357	187
Accrued liabilities	(16,679)	21,117
Deferred revenue	(45,209)	41,000
Earnings distributions payable	28,311	(152,505)
In-kind contribution payable	(6,170)	(5,705)
Grant and distribution payable, due to related party	36,412	64,650
Net cash from operating activities	2,320,007	1,083,169
Cash flows from investing activities:		
Purchase of investments	(9,711,869)	(6,741,630)
Proceeds from sale of investments	8,390,189	6,600,990
Purchase of fixed assets	(1,500)	-
Payments received on related party note receivable	81,490	69,526
Net cash from annuity obligation	68,570	51,114
Net cash from investing activities	(1,173,120)	(20,000)
Cash flows from financing activities:		
Cash paid on note payable	(585,404)	(768,551)
Net cash from financing activities	(585,404)	(768,551)
Increase (decrease) in cash and cash equivalents	561,483	294,618
Cash and cash equivalents at beginning of year	1,047,998	753,380
Cash and cash equivalents at end of year	\$ 1,609,481	\$ 1,047,998
Cash paid for interest	\$ 74,239	\$ 111,314

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).

Change in Accounting Policy

To reduce the complexity of net asset accounting and disclosures, the Organization has elected to apply the early adoption provisions of the Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Not-for-profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As part of these provisions, the Organization has removed the previous reference to unrestricted, temporarily restricted and permanently restricted designations for the net assets and replaced them with net assets with donor restrictions and those without. These financials have been prepared based on this change.

As stated above the Organization has opted to change their accounting policy for net assets and as such certain items from the 2016 financial statements have been reclassified in accordance with that change.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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:

Net assets without donor restrictions are the net assets of the Foundation that are not restricted and 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.

Net assets with donor restrictions 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, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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, 2017, there was \$318,435 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 net assets without donor restrictions 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.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Investments (Continued)

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 net assets without donor restrictions unless the income or loss is restricted by donor or law.

Annual endowment administrative fees totaling \$283,450 and \$285,682 for the years ended June 30, 2017 and 2016, respectively, were assessed to all participants in the investment pool to fund Foundation operations. In the year ended June 30, 2017, the fee was based on 1.25% of the fund's twelve quarter rolling average fund balance. The twelve quarters used were those ending with March 31 of the current fiscal year. In the year ended June 30, 2016 the fee was based on 1.25% of the fair market value of the actual balance each quarter. This fee income is shown netted against the related expense in the financial statements.

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, 2017, and 2016 was \$127,452 and \$86,330, 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.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Annuities Held by RCB (Continued)

The approved and confirmed Chapter 11 Reorganization Plan allows for the Annuity Fund to continue serving its charitable purpose. As of June 30, 2017, and 2016, the value of the Foundation's beneficial interest of the annuities held at RCB are \$391,105 and \$406,650, respectively, and the value of the terminated or matured annuities not yet paid to the Foundation are \$- and \$13,752, 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.

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 net assets with donor restrictions.

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. The Foundation has a pending application for a separate exemption under Section 501(c)(3) which would recognize the Foundation as a public charity and require an annual filing of a form 990 tax return.

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:

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Planned Gift Liabilities (Continued)

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 2017 and 2016.

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.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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, 2017, and 2016 were \$3,290 and \$2,957, respectively.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through February 15, 2018, which is the date the financial statements were available to be issued. See note 12 for subsequent event details.

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

Pledges receivable (or unconditional promises to give) at June 30, 2017, and 2016 are as follows:

	2017	2016
Receivable in less than one year	\$ 44,956	\$ 122,579
Receivable in one to five years	44,955	122,580
Total unconditional promises to give	89,911	245,159
Less discount to net present value	(6,320)	(17,233)
Less allowance for uncollectible promises receivable	(5,015)	(13,676)
Net unconditional promises to give	\$ 78,576	\$ 214,250

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

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 3: Investments

Investments consisted of the following at June 30:

	June 30, 2017	
	Cost Basis	Fair Value
Stocks	\$ 6,087,455	\$ 8,846,751
Bonds	5,619,967	5,490,790
Mutual funds	9,337,701	10,227,003
Real estate funds	750,490	693,084
Life insurance	63,785	143,998
	\$ 21,859,398	\$ 25,401,626

	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

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 2017 and 2016.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 3: Investments (Continued)

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, 2017, and 2016:

	2017	2016
Cash surrender value:		
Peter Sullivan (face value \$50,000)	\$ 46,663	\$ 37,564
Alexander Brunett (face value \$200,000)	70,634	61,214
Elden Curtiss (face value \$100,000)	26,701	17,799
Total	\$ 143,998	\$ 116,577

Note 4: Beneficial Interest in Charitable Remainder Trusts

Beneficial interest in charitable remainder trusts consist of the following at June 30, 2017, and 2016:

	2017	2016
Margaret Quinn Unitrust	\$ 256,494	\$ 255,433
Donor Unitrust	496,980	-
Total	\$ 753,474	\$ 255,433

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.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 5: Fair Value Measurements (Continued)

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.

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, 2017				
	Cost	Level 1	Level 2	Level 3	Total
Stocks	\$ 6,087,455	\$ 8,846,751	\$ -	\$ -	\$ 8,846,751
Bonds	5,619,967	5,490,790	-	-	5,490,790
Mutual funds	9,337,701	10,080,273	-	146,730	10,227,003
Real asset funds	750,490	693,084	-	-	693,084
Life insurance	63,785	-	-	143,998	143,998
Beneficial interest in annuities held by third party	-	-	-	391,105	391,105
Beneficial interest in charitable remainder trust	-	-	-	753,474	753,474
Total	\$ 21,859,398	\$ 25,110,898	\$ -	\$ 1,435,307	\$ 26,546,205

	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	-	-	116,557	116,557
Beneficial interest in annuities held by third party	-	-	-	406,650	406,650
Beneficial interest in charitable remainder trust	-	-	-	255,443	255,443
Total	\$ 20,651,090	\$ 23,006,925	\$ -	\$ 912,900	\$ 23,919,825

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, 2017, and 2016, \$500 and \$14,225 was due from RCB, respectively. As of June 30, 2017, and 2016, \$201,062 and \$164,650 was due to RCB, respectively for grant payments.

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 \$641,371 and \$722,861 at June 30, 2017, and 2016, respectively.

Principal payments due under the loan are as follows:

2018	\$	36,378
2019		36,259
2020		37,455
2021		38,691
2022		39,966
Thereafter		452,622
		<hr/>
Total	\$	641,371
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Other Fees

Administrative fees 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, 2017, and 2016, 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, 2017, and 2016, \$1,322,887 and \$1,921,102, respectively, 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 \$1,439,521 and \$2,001,442 as of June 30, 2017 and 2016, respectively; which is the cumulative difference between the contribution expense and "Preserve the Legacy of Legendary Lodge" campaign receipts. As of June 30, 2017, and 2016, the in-kind contribution payable balance is \$3,572,387 and \$3,578,557, respectively, with \$113,453 recognized as in-kind lease revenue and \$107,283 recognized as in-kind contribution expense for the year ended June 30, 2017.

Note 7: Planned Gift Liabilities

The Foundation accepted charitable gift annuities where the Foundation is a remainder beneficiary in 2017 and 2016. 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 1.6% to 2.6%, and applicable mortality tables. As of June 30, 2017, and 2016, the liability was \$189,125 and \$120,555, 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. On April 11, 2017, the Foundation refinanced this loan. Interest on the note is variable starting at 4.5% calculated based on Prime Rate as published in the Wall Street Journal plus a margin of 1.250% with monthly payments of \$9,169.69 until May 15, 2021 when the payment increases to \$9,581.89. The note is due on April 15, 2042. The outstanding principal balance as of June 30, 2017 and 2016 was \$1,322,887 and \$921,102, 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, 2017 and 2016 was \$- and \$1,000,000, respectively. The loan was paid in full in 2017.

The Foundation has the following notes payable as of June 30, 2017 and 2016:

	2017
2018	\$ 54,181
2019	54,050
2020	56,533
2021	59,033
2022	61,423
Thereafter	1,037,667
Total	\$ 1,322,887

Note 9: Net Assets with Donor Restrictions

Assets with donor restrictions are available for the following purposes at June 30:

	2017	2016
Parish	\$ 1,280,292	\$ 554,258
Program	3,156,461	2,834,748
Gift annuity	1,011,421	684,438
Total	\$ 5,448,174	\$ 4,073,444

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 9: Net Assets with Donor Restrictions (Continued)

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

<i>As of June 30,</i>	2017	2016
Parish	\$ 4,227,263	\$ 3,074,762
Program	17,825,174	17,507,080
Beneficial interest in annuities held by RCB	391,105	420,374
Total	\$ 22,443,542	\$ 21,002,216
Total Donor Restricted	\$ 27,891,716	\$ 25,075,660

Assets released from restriction for the years ended June 30 are reflected below:

<i>Years Ended June 30</i>	2017	2016
Released for purpose:	\$ 1,966,972	\$ 2,115,683
Released for administrative investment management:	297,358	294,145
Total	\$ 2,264,330	\$ 2,409,828

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.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 10: Endowment Funds (Continued)

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.

Changes in net asset composition by type of fund for the years ended June 30, 2017 and 2016 are as follows:

	Without donor restrictions	With Donor Restrictions - Temporary	With Donor Restrictions - Permanent	Total
Endowment net assets, as restated, 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 earnings 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
Investment return:				
Contributions	-	919	1,369,641	1,370,560
Beneficial interest in annuities	-	-	25,439	25,439
Investment income, net of fees	-	1,566,639	12,465	1,579,104
Net depreciation	-	894,161	33,781	927,942
Appropriation of endowment earnings for expenditure	-	(1,276,839)	-	(1,276,839)
Endowment net assets as of June 30, 2017	\$ -	\$ 4,232,228	\$ 22,443,542	\$ 26,675,770

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 10: Endowment Funds (Continued)

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, 2017, there were three funds with deficiencies totaling \$1,973 and there were nine funds with deficiencies totaling \$26,293 as of June 30, 2016.

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.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are to be invested in accordance with the Foundation's investment policy, which may be amended from time to time. The investment policy states that all investments must conform to the socially responsible philosophy of the Roman Catholic Church.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation calculates the amount available for charitable distribution from the fund each year based on its 12-quarter rolling average fund balance for funds whose fair value on June 30 exceeds the historic value, multiplied by the distribution rate approved by the Board, currently 4.5%.

Note 11: Reclassification

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 classifications.

Note 12: Subsequent Events

After seeking legal counsel and conducting extensive due diligence, in February 2018 the Foundation Board of Trustees approved accepting the transfer of all endowment assets, including the Trinity preferred investment, from the Roman Catholic Diocese of Helena. The value of the endowed assets as of June 30, 2017, was \$1,455,617.59 of investments and \$2,652,859 preferred investment in Trinity Restoration LLC. The asset transfer is expected to be completed no later than June 30, 2018.

On February 1, 2018, the Legendary Lodge debt with Opportunity Bank was paid in full. This debt represented \$1,268,706 of the liabilities reported by the Foundation at June 30, 2017.

Supplemental Information

Foundation for the Diocese of Helena, Inc.

Statement of Functional Expenses

<i>Year Ended June 30, 2017</i>	Program	Fundraising	Management and General	Total
Advertising / sponsorship	\$ 4,000	\$ 4,000	\$ -	\$ 8,000
Automobile	116	233	116	465
Bank fees	-	432	433	865
Board / committee meetings	-	-	1,286	1,286
Computer and program supplies	5,783	469	3,125	9,377
Depreciation / amortization	26,281	2,131	14,204	42,616
Donor development	-	4,415	-	4,415
Dues and subscriptions	393	-	393	786
Grants	942,841	-	-	942,841
In-kind contributions	107,283	-	-	107,283
Insurance	-	-	1,371	1,371
Interest expense	74,239	-	-	74,239
Investment fees	-	-	107,613	107,613
Legal fees	-	-	7,607	7,607
Life insurance	18,853	-	-	18,853
Meals and lodging	360	719	360	1,439
Miscellaneous	-	-	10,997	10,997
Office supplies	841	-	421	1,262
Postage	1,243	1,658	1,243	4,144
Printing	3,127	3,127	2,680	8,934
Professional and technical services	-	-	26,378	26,378
Registration fees	455	455	910	1,820
Rent	3,700	300	2,000	6,000
Salaries and benefits	71,205	5,772	38,483	115,460
Telephone	765	-	383	1,148
Website	438	438	-	876
Total expenses	\$ 1,261,923	\$ 24,149	\$ 220,003	\$ 1,506,075

See Independent Auditor's Report.

Foundation for the Diocese of Helena, Inc.

Statement of Functional Expenses

<i>Year Ended June 30, 2016</i>	Program	Fundraising	Management and General	Total
Advertising / sponsorship	\$ -	\$ -	\$ 9,823	\$ 9,823
Allowance for doubtful accounts	-	13,676	-	13,676
Annuity obligation	4,715	-	-	4,715
Automobile	440	880	439	1,759
Board / committee meetings	2,055	-	-	2,055
Commercial travel	162	-	162	324
Computer and program supplies	5,740	465	3,102	9,307
Depreciation / amortization	26,190	2,123	14,155	42,468
Discount on promises to give	-	17,233	-	17,233
Donor development	-	5,149	-	5,149
Dues and subscriptions	550	-	-	550
Grants	877,457	-	-	877,457
In-kind contributions	107,749	-	-	107,749
Insurance	472	38	255	765
Interest expense	111,314	-	-	111,314
Investment fees	-	-	106,226	106,226
Legal fees	-	-	15,517	15,517
Life insurance	5,644	-	-	5,644
Meals and lodging	650	1,299	650	2,599
Office supplies	792	-	395	1,187
Postage	5,000	405	2,701	8,106
Printing	2,798	5,595	2,797	11,190
Professional and technical services	23,108	-	23,108	46,216
Registration fees	1,575	-	1,575	3,150
Rent	3,700	300	2,000	6,000
Salaries and benefits	77,069	6,249	41,654	124,972
Telephone	450	-	225	675
Total expenses	\$ 1,257,630	\$ 53,412	\$ 224,784	\$ 1,535,826

See Independent Auditor's Report.