

Foundation for the Diocese of Helena, Inc.

Financial Statements and
Independent Auditor's Report

Years Ended June 30, 2018 and 2017

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, 2018, and 2017, and the related statements of activities, cash flows and functional expenses 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, 2018, and 2017, 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.

A handwritten signature in black ink that reads "Wipfli LLP".

Wipfli LLP

September 25, 2018
Helena, Montana

Foundation for the Diocese of Helena, Inc.

Statements of Financial Position

<i>As of June 30,</i>	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,275,766	\$ 1,609,481
Certificates of deposit	404,567	-
Pledges receivable, net of allowance	20,086	39,941
Related party receivables	2,175	1,661
Current portion of related party note receivable	39,020	36,378
Total current assets	1,741,614	1,687,461
Non-current assets:		
Investments	29,620,861	25,401,626
Beneficial interest in annuities held by related party	294,665	391,105
Beneficial interest in charitable remainder trusts	679,543	753,474
Pledges receivable, net of allowance and discount	28,093	38,635
Non-current portion of related party note receivable	516,938	604,993
Other assets	1,020	1,020
Total non-current assets	31,141,120	27,190,853
Property and equipment, net:		
Land	1,954,250	1,954,250
Buildings, net of accumulated depreciation	1,498,252	1,539,020
Software and equipment, net of accumulated depreciation	1,615	2,868
Total property and equipment, net	3,454,117	3,496,138
TOTAL ASSETS	\$ 36,336,851	\$ 32,374,452

Foundation for the Diocese of Helena, Inc.

Statements of Financial Position (Continued)

<i>As of June 30,</i>	2018	2017
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 950	\$ 6,250
Accrued liabilities	4,229	10,220
Deferred revenue	-	1,335
Earnings and grant distribution payable	159,416	120,749
In-kind contribution payable to related party	6,546	6,355
Grant and distribution payable, due to related party	228,788	201,062
Current portion of note payable	-	54,181
Total current liabilities	399,929	400,152
Non-current liabilities:		
Notes payable	-	1,263,776
Non-current portion of in-kind contribution payable to related party	3,559,486	3,566,032
Annuity obligations payable	285,944	189,125
Total non-current liabilities	3,845,430	5,018,933
Total liabilities	4,245,359	5,419,085
Net assets:		
Net assets without donor restrictions	359,008	361,166
Net assets without donor restrictions - board designated	182,101	142,006
Net assets without donor restrictions deficit - board designated for Legendary Lodge	(113,531)	(1,439,521)
Net assets with donor restrictions	31,663,914	27,891,716
Total net assets	32,091,492	26,955,367
TOTAL LIABILITIES AND NET ASSETS	\$ 36,336,851	\$ 32,374,452

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

Statement of Activities

<i>Year Ended June 30, 2018</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ 900	\$ 6,163,429	\$ 6,164,329
Interest and dividends	5	667,830	667,835
Realized and unrealized gains and (losses)	-	1,590,599	1,590,599
Change in cash surrender value of life insurance	14,886	2,722	17,608
Change in value of split interest agreements	-	(34,482)	(34,482)
Miscellaneous revenue	1,856	-	1,856
In-kind contribution revenue	113,453	-	113,453
Endowment and annuity management fees	2,000	-	2,000
Net assets released from restrictions	4,617,900	(4,617,900)	-
Total revenues, gains and other support	4,751,000	3,772,198	8,523,198
Expenses:			
Program	3,144,499	-	3,144,499
Fundraising	20,216	-	20,216
Management and general	222,358	-	222,358
Total expenses	3,387,073	-	3,387,073
Change in net assets	1,363,927	3,772,198	5,136,125
Net assets, beginning of year	(936,349)	27,891,716	26,955,367
Net assets, end of year	\$ 427,578	\$ 31,663,914	\$ 32,091,492

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 (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, restated	(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.

Statements of Cash Flows

Years Ended June 30,	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 5,136,125	\$ 3,428,695
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,216	42,616
Unrealized (gain) loss on investments	461,197	(508,699)
Changes in operating assets and liabilities:		
Due to/from related party	(514)	17,334
Pledges receivable	30,397	135,674
Beneficial interest in annuity held by RCB	96,440	15,545
Beneficial interest in charitable remainder trust	73,931	(498,041)
Accounts payable	(5,300)	4,357
Accrued liabilities	(5,991)	(16,679)
Deferred revenue	(1,335)	(45,209)
Earnings distributions payable	38,667	28,311
In-kind contribution payable	(6,355)	(6,170)
Grant and distribution payable, due to related party	27,726	36,412
Net cash from operating activities	5,887,204	2,634,146
Cash flows from investing activities:		
Purchase of investments	(19,502,190)	(9,455,318)
Proceeds from sale of investments	14,417,191	7,820,143
Purchase of fixed assets	-	(1,500)
Payments received on related party note receivable	85,413	81,490
Net cash from annuity obligation	96,819	68,570
Net cash from investing activities	(4,902,767)	(1,486,615)
Cash flows from financing activities:		
Cash paid on note payable	(1,318,152)	(586,048)
Net cash from financing activities	(1,318,152)	(586,048)
Increase (decrease) in cash and cash equivalents	(333,715)	561,483
Cash and cash equivalents at beginning of year	1,609,481	1,047,998
Cash and cash equivalents at end of year	\$ 1,275,766	\$ 1,609,481
Cash paid for interest	\$ 33,600	\$ 74,239

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

Statement of Functional Expenses

<i>Year Ended June 30, 2018</i>	Program	Fundraising	Management and General	Total
Advertising / sponsorship	\$ 4,250	\$ 4,250	\$ -	\$ 8,500
Automobile	75	150	74	299
Bank fees	-	306	305	611
Board / committee meetings	-	-	1,912	1,912
Commercial travel	270	-	270	540
Computer and program supplies	5,616	455	3,035	9,106
Depreciation / amortization	26,035	2,111	14,070	42,216
Donor development	-	4,249	-	4,249
Dues and subscriptions	392	-	392	784
Grants	2,876,385	-	-	2,876,385
In-kind contributions	107,098	-	-	107,098
Insurance	-	-	309	309
Interest expense	33,600	-	-	33,600
Investment fees	-	-	109,698	109,698
Legal fees	-	-	11,590	11,590
Life insurance	9,644	-	-	9,644
Meals and lodging	428	855	427	1,710
Miscellaneous	-	-	2,795	2,795
Office supplies	1,803	-	902	2,705
Postage	479	639	479	1,597
Printing	329	329	282	940
Professional and technical services	-	-	33,599	33,599
Registration fees	182	182	365	729
Rent	3,700	300	2,000	6,000
Salaries and benefits	73,370	5,948	39,654	118,972
Telephone	400	-	200	600
Website	443	442	-	885
Total expenses	\$ 3,144,499	\$ 20,216	\$ 222,358	\$ 3,387,073

See accompanying notes to financial statements.

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 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.

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, 2018, there was \$562,134 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 \$314,895 and \$283,450 for the years ended June 30, 2018 and 2017, respectively, were assessed to all participants in the investment pool to fund Foundation operations. In the year ended June 30, 2018, 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. 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
Equipment	5-7 years

Accumulated depreciation as of June 30, 2018, and 2017 was \$169,389 and \$127,452, respectively.

Annuities Held by RCB

Annuities held by the Roman Catholic Diocese of Helena (RCB) for the benefit of the Foundation 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 of the RCB allows for the Annuity Fund to continue serving its charitable purpose. As of June 30, 2018, and 2017, the value of the Foundation's beneficial interest of the annuities held at RCB are \$294,665 and \$391,105, 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.

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.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Planned Gift Liabilities (Continued)

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 2018 and 2017.

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 assets 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

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.

Beginning January 1, 2018, the Foundation employees participated in an IRA Simple Plan with the same terms as the 401(k).

Retirement contributions for the years ended June 30, 2018, and 2017 were \$3,059 and \$3,290, respectively.

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 25, 2018, which is the date the financial statements were available to be issued. No items requiring disclosure were noted.

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

Pledges receivable (or unconditional promises to give) at June 30, 2018, and 2017 are as follows:

	2018	2017
Receivable in less than one year	\$ 23,161	\$ 44,956
Receivable in one to five years	32,903	44,955
Total unconditional promises to give	56,064	89,911
Less discount to net present value	(4,810)	(6,320)
Less allowance for uncollectible promises receivable	(3,075)	(5,015)
Net unconditional promises to give	\$ 48,179	\$ 78,576

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, 2018	
	Cost Basis	Fair Value
Stocks	\$ 6,170,892	\$ 9,125,811
Bonds	5,741,035	5,527,333
Mutual funds	8,624,168	9,632,837
Other	11,000	4,531
Real estate funds	902,006	839,734
Total investments not at fair value	65,489	112,221
Total investments at fair value	21,514,590	25,242,467
Total investments not at fair value		
Trinity Restoration	4,280,605	4,378,394
	\$ 25,795,195	\$ 29,620,861

	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

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 2018 and 2017.

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, 2018, and 2017:

	2018	2017
Cash surrender value:		
Peter Sullivan (face value \$50,000)	\$ -	\$ 46,663
Alexander Brunett (face value \$200,000)	81,218	70,634
Elden Curtiss (face value \$100,000)	31,003	26,701
Total	\$ 112,221	\$ 143,998

Preferred Investment in Trinity

On May 26, 2016 an agreement was made between Roman Catholic Bishop of Helena (the "Diocese") and Trinity Restoration LLC (the "Company") in which the Diocese transferred \$2,505,653 with a value, per agreement, of \$2,652,869 to the Company in exchange for a non-voting convertible preferred interest in the Company. The Withdrawn Funds shall accrue interest at a rate of 2.5% per annum ("PIK Rate"). The Diocese had the right to transfer this investment and notified the Company of assignment on March 22, 2018. The Foundation now holds all rights and obligations under this agreement.

The Foundation shall receive a fixed cash dividend of 4.5% per annum. The Company shall pay the Foundation the Cash Dividend within 60 days of the Company's fiscal year end. In the event the Company fails to pay the Cash Dividend in full within the prescribed time period, the unpaid portion of the Cash Dividend shall accrue at a rate of 4.5% annum until the unpaid Cash Dividend is paid in full. For the Company year ended December 31, 2017, the Company had not paid the Cash Dividend and had not provided a date for payment.

The redemption value of this investment shall be the greater of (1) the value of the Net Preferred Interest as if the Net Preferred Interest had been hypothetical converted on a 1:1 basis into common equity of the Company or (2) the total value of the Net Investment Amount plus accrued interest unpaid as of the Redemption Date and Withdrawn Funds plus accrued PIK and accrued Cash Dividends unpaid as of the Redemption Date. The term "Net Preferred Interest" shall mean the fair market value of the Preferred Interest less Cash Dividends paid by the Company prior to the Redemption Date. Fair market value shall be determined by an independent valuation firm chosen by the Diocese and approved by the Company, which Company shall not unreasonably withhold approval.

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, 2018, and 2017:

	2018	2017
Margaret Quinn Unitrust	\$ 252,147	\$ 256,494
Donor Unitrust	427,396	496,980
Total	\$ 679,543	\$ 753,474

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, 2018			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 9,125,811	\$ -	\$ -	\$ 9,125,811
Bonds	5,527,333	-	-	5,527,333
Mutual funds	9,453,196	-	179,641	9,632,837
Other	-	-	4,531	4,531
Real asset funds	839,734	-	-	839,734
Life insurance	-	-	112,221	112,221
Beneficial interest in annuities held by third party	-	-	294,665	294,665
Beneficial interest in charitable remainder trust	-	-	679,543	679,543
Investment assets not measured at fair value	-	-	-	4,378,394
Total	\$ 24,946,074	\$ -	\$ 1,270,601	\$ 30,595,069

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 8,846,751	\$ -	\$ -	\$ 8,846,751
Bonds	5,490,790	-	-	5,490,790
Mutual funds	10,080,273	-	146,730	10,227,003
Real asset funds	693,084	-	-	693,084
Life insurance	-	-	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	\$ 25,110,898	\$ -	\$ 1,435,307	\$ 26,546,205

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 5: Fair Value Measurements (Continued)

Transfers Between Levels

For the years ended June 30, 2018 and 2017, there were no significant transfers between Levels 1 and 2 and the following table shows transfers for Level 3.

Changes in Fair Value of Level 3 Assets and Related Gains and Losses

The following table sets forth a summary of changes in the fair value of the Foundation's Level 3 assets for the years ended June 30, 2018 and 2017.

<i>Level 3 Assets Year Ended -</i>	2018	2017
Balance, beginning of year	\$ 1,435,307	\$ 912,900
Realized gains (losses)	(137,809)	25,427
Transfers out	(56,778)	-
Transfers in	29,881	496,980
Total	\$ 1,270,601	\$ 1,435,307

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 RCB, 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, 2018, and 2017, \$500 was due from RCB. As of June 30, 2018, and 2017, \$228,788 and \$201,062 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 \$555,958 and \$641,371 at June 30, 2018, and 2017, respectively.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 6: Related Parties (Continued)

Principal payments due under the loan are as follows:

2019	\$	39,020
2020		39,164
2021		40,456
2022		41,790
2023		43,169
Thereafter		352,359
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Total	\$	555,958
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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, 2018, and 2017, 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.

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, 2018, and 2017, \$- and \$1,322,887, 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 and expenses.

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.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 6: Related Parties (Continued)

The in-kind contribution resulted in an unrestricted deficit of \$113,531 and \$1,439,521 as of June 30, 2018 and 2017, respectively; which is the cumulative difference between the contribution expense and "Preserve the Legacy of Legendary Lodge" campaign receipts. As of June 30, 2018, and 2017, the in-kind contribution payable balance is \$3,566,032 and 3,572,387, respectively, with \$113,453 recognized as in-kind lease revenue and \$107,098 recognized as in-kind contribution expense for the year ended June 30, 2018.

Note 7: Planned Gift Liabilities

The Foundation accepted charitable gift annuities where the Foundation is a remainder beneficiary in 2018 and 2017. 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, 2018, and 2017, the liability was \$285,944 and \$189,125, respectively.

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 \$9,170 until May 15, 2021 when the payment increases to \$9,582. The note is due on April 15, 2042. The outstanding principal balance as of June 30, 2018 and 2017 was \$- and \$1,322,887, respectively. The loan was paid in full on February 1, 2018.

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, 2018 and 2017 was \$- and \$1,000,000, respectively. The loan was paid in full in April 2017.

Note 9: Net Assets with Donor Restrictions

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

	2018	2017
Parish	\$ 1,648,328	\$ 1,280,292
Program	4,835,680	3,156,461
Gift annuity	1,354,709	1,011,421
Total	\$ 7,838,717	\$ 5,448,174

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>	2018	2017
Parish	\$ 4,969,790	\$ 4,227,263
Program	18,444,769	17,825,174
Beneficial interest in annuities held by RCB	410,638	391,105
Total	\$ 23,825,197	\$ 22,443,542
Total Donor Restricted	\$ 31,663,914	\$ 27,891,716

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

<i>Years Ended June 30</i>	2018	2017
Released for purpose:	\$ 4,322,047	\$ 1,669,614
Released for administrative investment management:	295,853	297,358
Total	\$ 4,617,900	\$ 1,966,972

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, 2018 and 2017 are as follows:

	With Restrictions - Temporary	With Restrictions - Permanent	Total
Endowment net assets 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 appreciation	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
Investment return:			
Contributions	1,813,499	1,376,415	3,189,914
Beneficial interest in annuities	2,722	(9,387)	(6,665)
Investment income, net of fees	3,097,130	11,394	3,108,524
Net depreciation	611,682	3,233	614,915
Appropriation of endowment earnings for expenditure	(3,259,482)	-	(3,259,482)
Endowment net assets as of June 30, 2018	\$ 6,497,779	\$ 23,825,197	\$ 30,322,976

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, 2018, there were no funds with deficiencies and there were three funds with deficiencies totaling \$1,973 as of June 30, 2017.

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: Transfer from RCB

In February 2, 2018 the Diocese signed an agreement to transfer all the endowment assets, including the Trinity preferred investment, to the Foundation for the Diocese. This transfer represented, on March 31, 2018, \$1,569,261 of investments and the entire \$2,790,618 preferred investment in Trinity Restoration LLC.

Parishes who had quasi-endowments held with the Diocese were given the option to receive their funds as grants, permanently endow with the Foundation or to transfer them to a one-year term certificate of deposit while making a more permanent plan. The amounts paid out were included in grants and distributions expense. Grants and distributions totaled \$2,876,385 and \$942,841 for the years ended June 30, 2018 and 2017, respectively.

Note 12: Reclassification

Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 classifications.