

# Foundation for the Diocese of Helena, Inc.

Financial Statements

Years Ended June 30, 2020 and 2019



**WIPFLI**

## **Independent Auditor's Report**

Board of Trustees  
Foundation for the Diocese of Helena, Inc. and Consolidated Entity  
Helena, Montana

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the Foundation for the Diocese of Helena, Inc. and Consolidated Entity, which comprise the statements of financial position as of June 30, 2020, and 2019, 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Foundation for the Diocese of Helena, Inc. and Consolidated Entity as of June 30, 2020, and 2019, 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.

*Wipfli LLP*

Wipfli LLP

October 15, 2020  
Helena, Montana

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Statements of Financial Position

<i>As of June 30,</i>	2020	2019
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,876,804	\$ 980,925
Pledges receivable, net of allowance	13,429	13,327
Related party receivables	500	500
Accounts receivable, general	3,310	4,042
Accrued dividend receivable, net	-	180,000
Current portion of related party note receivable	50,240	42,863
Prepaid expenses	715	-
<b>Total current assets</b>	<b>1,944,998</b>	<b>1,221,657</b>
Non-current assets:		
Investments	30,467,012	30,786,296
Beneficial interest in annuities held by related party	272,714	303,311
Beneficial interest in charitable remainder trusts	574,182	575,729
Pledges receivable, net of allowance and discount	-	12,891
Non-current portion of related party note receivable	142,970	388,830
Other assets	1,020	1,020
<b>Total non-current assets</b>	<b>31,457,898</b>	<b>32,068,077</b>
Property and equipment, net:		
Land	1,954,250	1,954,250
Buildings, net of accumulated depreciation	1,416,714	1,457,483
Software and equipment, net of accumulated depreciation	4,610	6,057
<b>Total property and equipment, net</b>	<b>3,375,574</b>	<b>3,417,790</b>
<b>TOTAL ASSETS</b>	<b>\$ 36,778,470</b>	<b>\$ 36,707,524</b>

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Statements of Financial Position (Continued)

<i>As of June 30,</i>	2020	2019
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ -	\$ 3,238
Accrued liabilities	3,751	3,965
Earnings and grant distribution payable	179,652	167,287
In-kind contribution payable to related party	6,935	6,449
Grant and distribution payable, due to related party	153,327	148,928
Deferred revenue	3,000	-
Total current liabilities	346,665	329,867
Non-current liabilities:		
Non-current portion of in-kind contribution payable to related party	3,546,102	3,553,038
Annuity obligations payable	275,278	293,163
Total non-current liabilities	3,821,380	3,846,201
Total liabilities	4,168,045	4,176,068
Net assets:		
Net assets without donor restrictions - operating	338,920	403,373
Net assets without donor restrictions - board designated	233,893	190,036
Net assets (deficit) without donor restrictions - board designated for Legendary Lodge	(182,073)	(147,754)
Net assets with donor restrictions	32,219,685	32,085,801
Total net assets	32,610,425	32,531,456
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 36,778,470</b>	<b>\$ 36,707,524</b>

See accompanying notes to consolidated financial statements.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Statement of Activities

<i>Year Ended June 30, 2020</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ -	\$ 390,364	\$ 390,364
Net interest and dividends	4	660,183	660,187
Realized and unrealized gains and (losses), net of fees	-	493,389	493,389
Change in allowance for doubtful pledges	816	-	816
Change in cash surrender value of life insurance	21,445	-	21,445
Change in value of split interest agreements	-	26,062	26,062
Miscellaneous revenue	1,737	-	1,737
In-kind contribution revenue	113,453	-	113,453
Endowment and annuity management fees, net	2,000	-	2,000
Net assets released from restrictions	1,436,114	(1,436,114)	-
Total revenues, gains and other support	1,575,569	133,884	1,709,453
Expenses:			
Program	1,490,060	-	1,490,060
Fundraising	20,846	-	20,846
Management and general	119,579	-	119,579
Total expenses	1,630,485	-	1,630,485
Change in net assets	(54,916)	133,884	78,968
Net assets, beginning of year	445,655	32,085,801	32,531,456
Net assets, end of year	\$ 390,739	\$ 32,219,685	\$ 32,610,424

See accompanying notes to consolidated financial statements.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Statement of Activities

<i>Year Ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenues, gains and other support:</b>			
Contributions	\$ -	\$ 509,130	\$ 509,130
Net interest and dividends	4	955,829	955,833
Realized and unrealized gains (losses), net of fees	-	820,356	820,356
Change in allowance for doubtful pledges	1,402	-	1,402
Change in cash surrender value of life insurance	12,408	-	12,408
Change in value of split interest agreements	-	(37,436)	(37,436)
Miscellaneous revenue	3,041	-	3,041
In-kind contribution revenue	113,453	-	113,453
Endowment and annuity management fees, net	2,000	-	2,000
Net assets released from restrictions	1,825,992	(1,825,992)	-
<b>Total revenues, gains and other support</b>	<b>1,958,300</b>	<b>421,887</b>	<b>2,380,187</b>
<b>Expenses:</b>			
Program	1,809,170	-	1,809,170
Fundraising	24,870	-	24,870
Management and general	106,183	-	106,183
<b>Total expenses</b>	<b>1,940,223</b>	<b>-</b>	<b>1,940,223</b>
<b>Change in net assets</b>	<b>18,077</b>	<b>421,887</b>	<b>439,964</b>
<b>Net assets, beginning of year, restated</b>	<b>427,578</b>	<b>31,663,914</b>	<b>32,091,492</b>
<b>Net assets, end of year</b>	<b>\$ 445,655</b>	<b>\$ 32,085,801</b>	<b>\$ 32,531,456</b>

See accompanying notes to consolidated financial statements.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Statements of Cash Flows

<i>Years Ended June 30,</i>	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 78,968	\$ 439,964
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,216	42,009
Unrealized gain on investments	(306,775)	(832,764)
Loss on disposal of equipment	-	54
Changes in operating assets and liabilities:		
Accounts receivable, general	732	(2,367)
Pledges receivable	12,789	21,961
Prepaid expense	(715)	-
Beneficial interest in annuity held by RCB	30,597	(8,646)
Beneficial interest in charitable remainder trust	1,547	103,814
Accrued dividend receivable	180,000	(180,000)
Accounts payable	(3,238)	2,288
Accrued liabilities	(214)	(264)
Deferred revenue	3,000	-
Earnings distributions payable	12,365	7,871
In-kind contribution payable	(6,450)	(6,545)
Grant and distribution payable, due to related party	4,399	(79,860)
<b>Net cash from operating activities</b>	<b>49,221</b>	<b>(492,485)</b>
Cash flows from investing activities:		
Purchase of investments	(809,298)	(1,012,467)
Proceeds from sale of investments	1,435,358	1,084,363
Payments received on related party note receivable	238,483	124,265
Purchase of property and equipment	-	(5,736)
Net cash from annuity obligation	(17,885)	7,219
<b>Net cash from investing activities</b>	<b>846,658</b>	<b>197,644</b>
Increase (decrease) in cash and cash equivalents	895,879	(294,841)
Cash and cash equivalents at beginning of year	980,925	1,275,766
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,876,804</b>	<b>\$ 980,925</b>

See accompanying notes to consolidated financial statements.



# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Statement of Functional Expenses

<i>Year Ended June 30, 2020</i>	Program	Fundraising	Management and General	Total
Advertising / sponsorship	\$ 2,750	\$ 2,750	\$ -	\$ 5,500
Bank fees	-	248	248	496
Board / committee meetings	-	-	1,453	1,453
Computer and program supplies	6,200	503	3,350	10,053
Depreciation / amortization	26,034	2,111	14,071	42,216
Donor development	-	2,906	-	2,906
Dues and subscriptions	120	-	120	240
Grants	1,241,429	-	-	1,241,429
In-kind contributions	107,004	-	-	107,004
Insurance	-	-	338	338
Legal fees	-	-	1,340	1,340
Life insurance	9,644	-	-	9,644
Office supplies	957	-	479	1,436
Postage	759	1,012	758	2,529
Printing	2,907	2,907	2,492	8,306
Professional and technical services	-	-	45,174	45,174
Registration fees	16	16	33	65
Rent	3,700	300	2,000	6,000
Salaries and benefits	87,845	7,122	47,478	142,445
Telephone	400	-	200	600
Travel	45	721	45	811
Website	250	250	-	500
<b>Total expenses</b>	<b>\$ 1,490,060</b>	<b>\$ 20,846</b>	<b>\$ 119,579</b>	<b>\$ 1,630,485</b>

See accompanying notes to consolidated financial statements.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Statement of Functional Expenses

<i>Year Ended June 30, 2019</i>	Program	Fundraising	Management and General	Total
Advertising / sponsorship	\$ 5,050	\$ 5,050	\$ -	\$ 10,100
Automobile	107	213	107	427
Bank fees	-	106	105	211
Board / committee meetings	-	-	1,087	1,087
Commercial travel	596	-	597	1,193
Computer and program supplies	6,168	500	3,330	9,998
Depreciation / amortization	25,907	2,100	14,002	42,009
Donor development	-	523	-	523
Dues and subscriptions	225	-	225	450
Grants	1,557,149	-	-	1,557,149
In-kind contributions	106,908	-	-	106,908
Insurance	-	-	313	313
Legal fees	-	-	2,876	2,876
Life insurance	9,644	-	-	9,644
Meals and lodging	223	447	223	893
Miscellaneous	-	-	56	56
Office supplies	1,173	-	587	1,760
Postage	1,608	2,144	1,608	5,360
Printing	4,297	4,297	3,683	12,277
Professional and technical services	-	-	28,836	28,836
Registration fees	434	434	868	1,736
Rent	3,700	300	2,000	6,000
Strategic planning	-	499	-	499
Salaries and benefits	84,146	6,822	45,480	136,448
Telephone	400	-	200	600
Website	1,435	1,435	-	2,870
<b>Total expenses</b>	<b>\$ 1,809,170</b>	<b>\$ 24,870</b>	<b>\$ 106,183</b>	<b>\$ 1,940,223</b>

See accompanying notes to consolidated financial statements.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies

#### Reporting Entity

The Foundation for the Diocese of Helena, Inc. and Consolidated Entity (Foundation) is a non-profit corporation. The Foundation's mission is to serve and strengthen the people, parishes, ministries and apostolic mission of the Diocese of Helena. Activities include:

- (a) Building and managing permanent endowments that provide an ongoing source of income to parishes and the Diocese of Helena. With careful management, the resources entrusted to the Foundation continue to grow and that growth translates to improved financial sustainability for our Catholic ministries;
- (b) Providing financial support through the Grants Program, the Foundation disburses its financial resources without restrictions to assist parish and Diocesan ministries;
- (c) Disbursing funds in accordance with the wishes of donors and in accordance with the goals of the Foundation and applicable laws;
- (d) Assisting donors and working with their professional advisors in developing both current and planned lifetime charitable giving strategies in order to minimize income and estate taxes and maximize a financial legacy in perpetuity for both their heirs and the Church in the Diocese of Helena;
- (e) Creating long-term funding solutions for programs and ministries of 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.

The Foundation for the Diocese of Helena, Inc., also includes the wholly owned subsidiary, Legendary Lodge Holdings, Inc. Legendary Lodge Holdings, Inc. is a single member limited liability company.

#### Basis of Accounting

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

#### Basis of Presentation

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

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### **Note 1: Summary of Significant Accounting Policies** (Continued)

#### **Basis of Presentation** (Continued)

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 assets without donor restrictions.

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.

#### **New Accounting Pronouncements**

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842). This ASU provides guidance on the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and new disclosures on key information about leasing arrangements. The new standard supersedes current lease accounting requirements in FASB Accounting Standards Codification (ASC) Topic 840, Leases. When adopted, the amendments in the ASU must be applied using a modified retrospective approach. ASU No. 2016-02 is effective for nonpublic companies for annual periods beginning after December 15, 2021. The Organization is currently evaluating the impact of the provisions of ASC 842.

#### **Change in Accounting Policy**

On June 21, 2018, the FASB issued ASU 2018-08 Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this ASU assist in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) subject to Subtopic 958-605 or as exchange (reciprocal) transactions subject to Accounting Standards Codification 606 and (2) determining whether a contribution is conditional. The contribution guidance in Subtopic 958-605 requires an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. The entity has applied the amendments in this ASU on a modified prospective basis. There was no change on opening balances of net assets and no prior period results were restated.

#### **Estimates**

Management uses estimates and assumptions in preparing the consolidated 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.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### 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, 2020 and 2019, there was \$568,557 and \$85,173, respectively, 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 statements 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.

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 \$366,737 and \$353,864 for the years ended June 30, 2020 and 2019, respectively, were assessed to all participants in the investment pool to fund Foundation operations. In the years ended June 30, 2020 and 2019, 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 consolidated financial statements.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Investments (Continued)

Following is the investment return for the years ended June 30,

	2020	2019
Interest and dividend income	\$ 769,238	\$ 1,065,858
Less: investment manager fees	(109,051)	(110,025)
Total net interest and dividends	660,187	955,833
Unrealized gain (loss)	(285,065)	274,949
Realized gain	778,454	545,407
Total realized and unrealized gains and (losses), net of fees	493,389	820,356
Foundation administrative fees	(366,737)	(353,864)
Total	\$ 786,839	\$ 1,422,325

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 consolidated 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, 2020, and 2019 was \$250,418 and \$208,202, respectively.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### 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.

As of June 30, 2020, and 2019, the value of the Foundation's beneficial interest of the annuities held at RCB are \$272,714 and \$303,311, 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. There are no long-term pledges receivable in the current year.

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. As a result, no provision for income tax is included in the consolidated financial statements. The Foundation's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination and is based on the Regulations, Revenue Rulings, and court decisions and other evidence.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Income Taxes (Continued)

The Foundation believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the consolidated financial statements. Income tax returns remain open to examination by the Federal and state taxing authorities for three years.

#### Planned Gift Liabilities

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

##### Charitable and Deferred Gift Annuities

Charitable gift annuities require regularly scheduled payments at a fixed rate specified in the contract to a designated beneficiary over the beneficiary's lifetime, with payments commencing upon contribution. The payment is based on the value of the assets at the date of donation.

Deferred gift annuities are similar but delay the start of annual payments to a future date. The consolidated 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 2020 and 2019.

#### Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as observable inputs such as quoted market prices in active markets; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore, requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on the lowest level of any input that is significant to the fair value measurement.



# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### **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, 2020, and 2019 were \$3,850 and \$3,698, respectively.

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include depreciation, as well as personnel costs, professional services, office expenses, insurance, and other, which are allocated on the basis of estimates of time and effort.

#### **Revenue Recognition**

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. None of the Foundation's revenue is subject to ASC 606.

#### **Subsequent Events**

The Foundation has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through October 15, 2020, which is the date the consolidated financial statements were available to be issued. No items requiring disclosure were noted except the following:

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID 19 Virus Crisis ("CV19 Crisis"). As of the date of issuance of the consolidated financial statements, the Foundation had not yet suffered material adverse impact from the CV19 Crisis. The future impact of the CV19 Crisis on the Foundation cannot be reasonably estimated at this time.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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

Pledges receivable (or unconditional promises to give) at June 30, 2020, and 2019 are as follows:

	2020	2019
Receivable in less than one year	\$ 15,000	\$ 15,000
Receivable in one to five years	-	15,000
Total unconditional promises to give	15,000	30,000
Less discount to net present value	(714)	(2,109)
Less allowance for uncollectible promises receivable	(857)	(1,673)
Net unconditional promises to give	\$ 13,429	\$ 26,218

Pledges receivable in more than one year are discounted at 6% based on the Foundation's borrowing rate.

### Note 3: Investments

Investments consisted of the following at June 30:

	June 30, 2020	
	Cost Basis	Fair Value
Stocks	\$ 6,478,315	\$ 9,756,678
Bonds	6,100,304	6,460,738
Mutual funds	6,761,850	7,402,626
Other	2,128,301	1,815,527
Real estate funds	902,790	989,756
Life insurance	20,242	41,687
Total investments at fair value	22,391,802	26,467,012
Total investments not at fair value		
Trinity Restoration	4,000,000	4,000,000
	\$ 26,391,802	\$ 30,467,012

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

### Note 3: Investments (Continued)

	June 30, 2019	
	Cost Basis	Fair Value
Stocks	\$ 6,081,956	\$ 9,717,985
Bonds	6,580,311	6,657,540
Mutual funds	9,108,332	9,284,957
Other	11,000	3,967
Real estate funds	705,086	797,724
Life insurance	112,221	124,629
Total investments at fair value	22,598,906	26,586,802
Total investments not at fair value		
Trinity Restoration	4,199,494	4,199,494
	\$ 26,798,400	\$ 30,786,296

The Foundation owns and is beneficiary on two life insurance policies for two former Bishops of Helena. The cash surrender value of the policies is shown as an asset of the Foundation. The premiums were paid by the Foundation in 2020 and 2019.

The following is a schedule of face value and cash surrender values of the life insurance policies, which are included in investments in the consolidated financial statements as of June 30, 2020, and 2019:

	2020	2019
Cash surrender value:		
Former Bishop (face value \$200,000)	\$ -	\$ 87,959
Former Bishop (face value \$100,000)	41,687	36,670
Total	\$ 41,687	\$ 124,629

The first policy was collected and deposited into the operating fund on March 16, 2020, after the Bishop's death on January 31, 2020.

#### Preferred Investment in Trinity

On May 26, 2016 an agreement was made between the Roman Catholic Bishop of Helena (the "Diocese") and Trinity Restoration LLC (the "Company") in which the Diocese exchanged \$2,505,653 cash with the Company for an investment, and value per agreement, of \$2,652,869 to be held in 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.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### Note 3: Investments (Continued)

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 interest at a rate of 4.5% annum until the unpaid Cash Dividend is paid in full.

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 hypothetically 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.

On June 9, 2016 an agreement was made between the Foundation for the Diocese of Helena and Trinity Restoration LLC (the "Company") in which the Foundation transferred \$1,500,000 in exchange for a non-voting convertible preferred interest with the same terms and conditions as the contract outlined above.

As of June 30, 2019, there were accrued dividends in the amount of \$487,592. Of this amount \$180,000 was paid on September 5, 2019 and was reflected as a receivable as of June 30, 2019. Based on a cash analysis and payout hierarchy as legally defined in the investment contract, the remaining \$489,425 as of June 30, 2020 has been allowed until a time when payout timeframes can be determined.

### Note 4: Beneficial Interest in Charitable Remainder Trusts

Beneficial interest in charitable remainder trusts consist of the following at June 30, 2020, and 2019:

	2020	2019
Margaret Quinn Unitrust	\$ 230,011	\$ 243,357
Donor Unitrust	344,171	332,372
Total	\$ 574,182	\$ 575,729

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 consolidated financial statements.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated 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. Life insurance is measured at cash surrender value. Annuities and 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.

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, 2020			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 9,756,678	\$ -	\$ -	\$ 9,756,678
Bond funds	6,460,738	-	-	6,460,738
Mutual funds	7,232,161	-	170,465	7,402,626
Other	1,811,434	-	4,093	1,815,527
Real asset funds	989,756	-	-	989,756
Life insurance	-	-	41,687	41,687
Beneficial interest in annuities held by third party	-	-	272,714	272,714
Beneficial interest in charitable remainder trust	-	-	574,182	574,182
Investment assets not measured at fair value	-	-	-	4,000,000
<b>Total</b>	<b>\$ 26,250,767</b>	<b>\$ -</b>	<b>\$ 1,063,141</b>	<b>\$ 31,313,908</b>

	June 30, 2019			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 9,717,985	\$ -	\$ -	\$ 9,717,985
Bond funds	6,657,540	-	-	6,657,540
Mutual funds	9,107,186	-	177,771	9,284,957

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

### Note 5: Fair Value Measurements (Continued)

Other	-	-	3,967	3,967
Real asset funds	797,724	-	-	797,724
Life insurance	-	-	124,629	124,629
Beneficial interest in annuities held by third party	-	-	303,311	303,311
Beneficial interest in charitable remainder trust	-	-	575,729	575,729
Investment assets not measured at fair value	-	-	-	4,199,494
<b>Total</b>	<b>\$ 26,280,435</b>	<b>\$ -</b>	<b>\$ 1,185,407</b>	<b>\$ 31,665,336</b>

### Transfers Between Levels

For the years ended June 30, 2020 and 2019, 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, 2020 and 2019.

<i>Level 3 Assets Year Ended -</i>	2020	2019
Balance, beginning of year	\$ 1,185,407	\$ 1,270,601
Realized gains (losses)	(122,266)	(85,194)
<b>Total</b>	<b>\$ 1,063,141</b>	<b>\$ 1,185,407</b>

### 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, 2020, and 2019, \$500 was due from RCB. As of June 30, 2020, and 2019, \$153,327 and \$148,928 was due to RCB, respectively for grant payments.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### Note 6: Related Parties (Continued)

#### 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 \$193,210 and \$431,693 at June 30, 2020, and 2019, respectively.

Principal payments due under the loan are as follows:

2021	\$	50,240
2022		51,500
2023		53,200
2024		38,270
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Total	\$	193,210
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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, 2020, and 2019, rent paid from the Foundation to the RCB was \$6,000. Annuity administration fees paid from the RCB to the Foundation were \$2,000 for the years ended June 30, 2020, and 2019.

#### 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.

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.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### Note 6: Related Parties (Continued)

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 a net asset (deficit) without donor restrictions of \$182,073 and \$147,754 as of June 30, 2020 and 2019, respectively; which is the cumulative difference between the contribution expense and "Preserve the Legacy of Legendary Lodge" campaign receipts. As of June 30, 2020, and 2019, the in-kind contribution payable balance is \$3,553,037 and \$3,559,487, respectively, with \$113,453 and \$113,453 recognized as in-kind lease revenue and \$107,004 and \$106,908 recognized as in-kind contribution expense for the years ended June 30, 2020, and 2019, respectively.

### Note 7: Planned Gift Liabilities

The Foundation accepted charitable gift annuities where the Foundation is a remainder beneficiary in 2020 and 2019. 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, 2020, and 2019, the liability was \$275,278 and \$293,163, respectively.

### Note 8: Net Assets with Donor Restrictions

Donor restricted net assets are currently available for the following purposes as of June 30:

	2020	2019
Parish	\$ 1,589,280	\$ 1,745,367
Program	4,418,263	4,826,370
Gift annuity	1,614,930	1,354,703
Total	\$ 7,622,473	\$ 7,926,440



# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

### Note 8: Net Assets with Donor Restrictions (Continued)

Donor restricted net assets are endowed for the following purposes:

<i>As of June 30,</i>	2020	2019
Parish	\$ 5,545,267	\$ 5,276,932
Program	18,880,322	18,668,063
Beneficial interest in annuities held by RCB	171,623	214,366
Total	\$ 24,597,212	\$ 24,159,361
Total Donor Restricted	\$ 32,219,685	\$ 32,085,801

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

<i>Years Ended June 30</i>	2020	2019
Released for purpose	\$ 1,093,037	\$ 1,495,012
Released for administrative investment management	343,077	330,980
Total	\$ 1,436,114	\$ 1,825,992

### Note 9: Board Designated Net Assets

The Foundation for the Diocese of Helena, Inc. and Consolidated Entity's Board of Directors has designated, from net assets without donor restrictions for the following purposes as of June 30:

<i>As of June 30,</i>	2020	2019
Designated for the benefit of parishes	\$ 233,893	\$ 190,036
Total	\$ 233,893	\$ 190,036

### 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.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

### Note 10: Endowment Funds (Continued)

#### 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 net assets as having restrictions into perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) any accumulations to the 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 net assets restricted into perpetuity is classified as net assets with restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA.

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

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

Changes in net asset composition by type of fund for the years ended June 30, 2020 and 2019 are as follows:

	With Restrictions	With Restrictions into Perpetuity	Total
Endowment net assets			
June 30, 2018	\$ 7,838,717	\$ 23,825,197	\$ 31,663,914
Investment return:			
Contributions	340	214,366	214,706
Beneficial interest in annuities	-	(29,441)	(29,441)
Investment income, net of fees	1,591,556	6,872	1,598,428
Net appreciation	563,271	11,274	574,545
Appropriation of endowment earnings for expenditure	(2,067,444)	131,093	(1,936,351)
Endowment net assets, as of June 30, 2019	7,926,440	24,159,361	32,085,801

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### Note 10: Endowment Funds (Continued)

Investment return:

Contributions	340	390,365	390,705
Beneficial interest in annuities	-	(9,561)	(9,561)
Investment income, net of fees	1,468,624	-	1,468,624
Net depreciation	(249,568)	-	(249,568)
Appropriation of endowment earnings for expenditure	(1,523,363)	57,047	(1,466,316)

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Endowment net assets as of June 30, 2020	\$ 7,622,473	\$ 24,597,212	\$ 32,219,685
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### 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, 2020 and 2019, there were no funds with deficiencies.

### 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

On 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 occurred on March 31, 2018 and included \$1,569,261 of investments and the entire \$2,790,618 preferred investment in Trinity Restoration LLC.

# Foundation for the Diocese of Helena, Inc. and Consolidated Entity

## Notes to Consolidated Financial Statements

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### Note 11: Transfer from RCB (Continued)

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 \$1,241,429 and \$1,557,149 for the years ended June 30, 2020 and 2019, respectively.

### Note 12: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

<i>As of June 30,</i>	2020	2019
Cash and cash equivalents	\$ 1,876,804	\$ 980,925
Accrued dividend, net	-	180,000
Pledges receivable	13,429	13,327
Related party receivables - current	500	500
Accounts receivable, general	3,310	4,042
Related party note receivable	50,240	42,863
<b>Total financial assets available to meet needs within one year</b>	<b>\$ 1,944,283</b>	<b>\$ 1,221,657</b>

Our endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is only restricted if the donor requested it to be. Donor-restricted endowment funds are not available for general expenditure. The Foundation can only use Council designated money if approved by the Council.