

Foundation for the Diocese of Helena, Inc.

Financial Statements and
Independent Auditor's Report

Years Ended June 30, 2019 and 2018

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, Inc., which comprise the statements of financial position as of June 30, 2019, and 2018, 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, Inc. as of June 30, 2019, and 2018, 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 29, 2019
Helena, Montana

Foundation for the Diocese of Helena, Inc.

Statements of Financial Position

<i>As of June 30,</i>	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 980,925	\$ 1,275,766
Certificates of deposit	-	404,567
Pledges receivable, net of allowance	13,327	20,086
Related party receivables	4,542	2,175
Accrued dividend receivable, net	180,000	-
Current portion of related party note receivable	42,863	39,020
Total current assets	1,221,657	1,741,614
Non-current assets:		
Investments	30,786,296	29,620,861
Beneficial interest in annuities held by related party	303,311	294,665
Beneficial interest in charitable remainder trusts	575,729	679,543
Pledges receivable, net of allowance and discount	12,891	28,093
Non-current portion of related party note receivable	388,830	516,938
Other assets	1,020	1,020
Total non-current assets	32,068,077	31,141,120
Property and equipment, net:		
Land	1,954,250	1,954,250
Buildings, net of accumulated depreciation	1,457,483	1,498,252
Software and equipment, net of accumulated depreciation	6,057	1,615
Total property and equipment, net	3,417,790	3,454,117
TOTAL ASSETS	\$ 36,707,524	\$ 36,336,851

Foundation for the Diocese of Helena, Inc.

Statements of Financial Position (Continued)

<i>As of June 30,</i>	2019	2018
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,238	\$ 950
Accrued liabilities	3,965	4,229
Earnings and grant distribution payable	167,287	159,416
In-kind contribution payable to related party	6,449	6,546
Grant and distribution payable, due to related party	148,928	228,788
Total current liabilities	329,867	399,929
Non-current liabilities:		
Non-current portion of in-kind contribution payable to related party	3,553,038	3,559,486
Annuity obligations payable	293,163	285,944
Total non-current liabilities	3,846,201	3,845,430
Total liabilities	4,176,068	4,245,359
Net assets:		
Net assets without donor restrictions - operating	403,373	359,008
Net assets without donor restrictions - board designated	190,036	182,101
Net assets without donor restrictions deficit - board designated for Legendary Lodge	(147,754)	(113,531)
Net assets with donor restrictions	32,085,801	31,663,914
Total net assets	32,531,456	32,091,492
TOTAL LIABILITIES AND NET ASSETS	\$ 36,707,524	\$ 36,336,851

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

Statement of Activities

<i>Year Ended June 30, 2019</i>	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Contributions	\$ -	\$ 509,130	\$ 509,130
Interest and dividends	4	955,829	955,833
Realized and unrealized gains and (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)	-
Total revenues, gains and other support	1,958,300	421,887	2,380,187
Expenses:			
Program	1,809,170	-	1,809,170
Fundraising	24,870	-	24,870
Management and general	106,183	-	106,183
Total expenses	1,940,223	-	1,940,223
Change in net assets	18,077	421,887	439,964
Net assets, beginning of year	427,578	31,663,914	32,091,492
Net assets, end of year	\$ 445,655	\$ 32,085,801	\$ 32,531,456

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 (losses), net of fees	-	1,480,901	1,480,901
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, net	2,000	-	2,000
Net assets released from restrictions	4,508,202	(4,508,202)	-
Total revenues, gains and other support	4,641,302	3,772,198	8,413,500
Expenses:			
Program	3,144,499	-	3,144,499
Fundraising	20,216	-	20,216
Management and general	112,660	-	112,660
Total expenses	3,277,375	-	3,277,375
Change in net assets	1,363,927	3,772,198	5,136,125
Net assets, beginning of year, restated	(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.

Statements of Cash Flows

<i>Years Ended June 30,</i>	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 439,964	\$ 5,136,125
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	42,009	42,216
Unrealized (gain) loss on investments	(832,764)	461,197
Loss on disposal of equipment	54	-
Changes in operating assets and liabilities:		
Due to/from related party	(2,367)	(514)
Pledges receivable	21,961	30,397
Beneficial interest in annuity held by RCB	(8,646)	96,440
Beneficial interest in charitable remainder trust	103,814	73,931
Accrued dividend receivable	(180,000)	-
Accounts payable	2,288	(5,300)
Accrued liabilities	(264)	(5,991)
Deferred revenue	-	(1,335)
Earnings distributions payable	7,871	38,667
In-kind contribution payable	(6,545)	(6,355)
Grant and distribution payable, due to related party	(79,860)	27,726
Net cash from operating activities	(492,485)	5,887,204
Cash flows from investing activities:		
Purchase of investments	(1,012,467)	(19,502,190)
Proceeds from sale of investments	1,084,363	14,417,191
Payments received on related party note receivable	124,265	85,413
Purchase of property and equipment	(5,736)	-
Net cash from annuity obligation	7,219	96,819
Net cash from investing activities	197,644	(4,902,767)
Cash flows from financing activities:		
Cash paid on note payable	-	(1,318,152)
Net cash from financing activities	-	(1,318,152)
Increase (decrease) in cash and cash equivalents	(294,841)	(333,715)
Cash and cash equivalents at beginning of year	1,275,766	1,609,481
Cash and cash equivalents at end of year	\$ 980,925	\$ 1,275,766
Cash paid for interest	\$ -	\$ 33,600

See accompanying notes to financial statements.

Foundation for the Diocese of Helena, Inc.

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
Total expenses	\$ 1,809,170	\$ 24,870	\$ 106,183	\$ 1,940,223

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
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	\$ 112,660	\$ 3,277,375

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. (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.

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).

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Foundation is currently evaluating the impact of the provisions of ASC 606.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements (Continued)

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, 2020. The Organization is currently evaluating the impact of the provisions of ASC 842.

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 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.

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, 2019 and 2018, there was \$85,173 and \$562,134, respectively, held by the Foundation at financial institutions exceeding federally insured limits.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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 \$353,864 and \$314,895 for the years ended June 30, 2019 and 2018, respectively, were assessed to all participants in the investment pool to fund Foundation operations. In the years ended June 30, 2019 and 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, 2019, and 2018 was \$208,202 and \$169,389, respectively.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

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, 2019, and 2018, the value of the Foundation's beneficial interest of the annuities held at RCB are \$303,311 and \$294,665, 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.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Planned Gift Liabilities

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

Charitable and Deferred Gift Annuities

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

Deferred gift annuities are similar but delay the start of annual payments to a future date. The financial statements include a liability representing the present value of the payments required by those contracts over the beneficiaries' expected lives as determined by mortality tables.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Foundation. There were no donated services recognized during 2019 and 2018.

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.

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, 2019, and 2018 were \$3,698 and \$3,059, respectively.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

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.]

Subsequent Events

The Foundation has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 29, 2019, 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, 2019, and 2018 are as follows:

	2019	2018
Receivable in less than one year	\$ 15,000	\$ 23,161
Receivable in one to five years	15,000	32,903
Total unconditional promises to give	30,000	56,064
Less discount to net present value	(2,109)	(4,810)
Less allowance for uncollectible promises receivable	(1,673)	(3,075)
Net unconditional promises to give	\$ 26,218	\$ 48,179

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, 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

	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
Life insurance	65,489	112,221
Total investments at fair value	21,514,590	25,242,467
Total investments not at fair value		
Trinity Restoration	4,378,394	4,378,394
	\$ 25,892,984	\$ 29,620,861

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 3: Investments (Continued)

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with 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 owns and is beneficiary on two life insurance policies - one on former Bishop of Helena Alexander Brunett and one on former Bishop of Helena Elden Curtiss. The cash surrender value of the policies is shown as an asset of the Foundation. The premiums were paid by the Foundation in 2019 and 2018.

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, 2019, and 2018:

	2019	2018
Cash surrender value:		
Alexander Brunett (face value \$200,000)	\$ 87,959	\$ 81,218
Elden Curtiss (face value \$100,000)	36,670	31,003
Total	\$ 124,629	\$ 112,221

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 exchanged \$2,505,653 cash with the Company for an investment value, per agreement, of \$2,652,869 to be held in 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 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.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 3: Investments (Continued)

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 were 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 \$307,592 has been allowed for 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, 2019, and 2018:

	2019	2018
Margaret Quinn Unitrust	\$ 243,357	\$ 252,147
Donor Unitrust	332,372	427,396
Total	\$ 575,729	\$ 679,543

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. 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.

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, 2019			
	Level 1	Level 2	Level 3	Total
Stocks	\$ 9,717,985	\$ -	\$ -	\$ 9,717,985
Bonds	6,657,540	-	-	6,657,540
Mutual funds	9,107,186	-	177,771	9,284,957
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
Total	\$ 26,280,435	\$ -	\$ 1,185,407	\$ 31,665,336

	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

Transfers Between Levels

For the years ended June 30, 2019 and 2018, there were no significant transfers between Levels 1 and 2 and the following table shows transfers for Level 3.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 5: Fair Value Measurements (Continued)

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, 2019 and 2018.

<i>Level 3 Assets Year Ended -</i>	2019	2018
Balance, beginning of year	\$ 1,270,601	\$ 1,435,307
Realized gains (losses)	(85,194)	(137,809)
Transfers out	-	(56,778)
Transfers in	-	29,881
Total	\$ 1,185,407	\$ 1,270,601

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, 2019, and 2018, \$500 was due from RCB. As of June 30, 2019, and 2018, \$148,928 and \$228,788 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 \$431,693 and \$555,958 at June 30, 2019, and 2018, 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:

2020	\$	42,863
2021		43,390
2022		44,821
2023		46,300
2024		47,827
Thereafter		206,492
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Total	\$	431,693
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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, 2019, and 2018, rent paid from the Foundation to the RCB was \$6,000, and annuity administration fees paid from the RCB to the Foundation were \$24,884.

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 were used toward earnest money and down payment at closing. As of June 30, 2019, and 2018, \$0 and \$0, 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 \$147,754 and \$113,531 as of June 30, 2019 and 2018, respectively; which is the cumulative difference between the contribution expense and "Preserve the Legacy of Legendary Lodge" campaign receipts. As of June 30, 2019, and 2018, the in-kind contribution payable balance is \$3,559,487 and \$3,566,032, respectively, with \$113,453 and \$113,453 recognized as in-kind lease revenue and \$106,908 and \$107,098 recognized as in-kind contribution expense for the years ended June 30, 2019, and 2018, respectively.

Note 7: Planned Gift Liabilities

The Foundation accepted charitable gift annuities where the Foundation is a remainder beneficiary in 2019 and 2018. 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, 2019, and 2018, the liability was \$293,163 and \$285,944, 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, 2019 and 2018 was \$0 and \$0, 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, 2019 and 2018 was \$0 and \$0, respectively. The loan was paid in full in April 2017.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 9: Net Assets with Donor Restrictions

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

	2019	2018
Parish	\$ 1,745,367	\$ 1,648,328
Program	4,826,370	4,835,680
Gift annuity	1,354,703	1,354,709
Total	\$ 7,926,440	\$ 7,838,717

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

<i>As of June 30,</i>	2019	2018
Parish	\$ 5,276,932	\$ 4,969,790
Program	18,668,063	18,444,769
Beneficial interest in annuities held by RCB	214,366	410,638
Total	\$ 24,159,361	\$ 23,825,197
Total Donor Restricted	\$ 32,085,801	\$ 31,663,914

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

<i>Years Ended June 30</i>	2019	2018
Released for purpose	\$ 1,605,037	\$ 4,322,047
Released for administrative investment management	330,980	295,853
Total	\$ 1,936,017	\$ 4,617,900

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 10: Board Designated Net Assets

The Foundation for the Diocese of Helena, Inc.'s Board of Directors has designated, from net assets without donor restrictions of \$190,036 and \$182,101, net assets for the following purposes as of June 30:

	2019	2018
Designated for the benefit of parishes	\$ 190,036	\$ 182,101
Total	\$ 190,036	\$ 182,101

Note 11: 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 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.

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 11: Endowment Funds (Continued)

Changes in net asset composition by type of fund for the years ended June 30, 2019 and 2018 are as follows:

	With Restrictions	With Restrictions into Perpetuity	Total
Endowment net assets June 30, 2017	\$ 5,448,174	\$ 22,443,542	\$ 27,891,716
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 appreciation	611,682	3,233	614,915
Appropriation of endowment earnings for expenditure	(3,134,490)	-	(3,134,490)
Endowment net assets, as of 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 depreciation	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

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, 2019, there were no funds with deficiencies and there were no funds with deficiencies as of June 30, 2018.

Return Objectives and Risk Parameters

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

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 11: Endowment Funds (Continued)

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 12: 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 occurred on March 31, 2018 and included \$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 \$1,557,149 and \$2,876,385 for the years ended June 30, 2019 and 2018, respectively.

Note 13: Reclassification

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 classifications.

Note 14: 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>	2019	2018
Cash	\$ 980,925	\$ 1,275,766
Accrued dividend, net	180,000	-
Pledges receivable	13,327	20,086
Related party receivables	4,542	2,175
Related party note receivable	42,863	39,020
Total	\$ 1,221,657	\$ 1,337,047

Foundation for the Diocese of Helena, Inc.

Notes to Financial Statements

Note 14: Liquidity and Availability of Financial Resources (Continued)

Our endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is only restricted if donor requested it to be. Donor-restricted endowment funds are not available for general expenditure.