

**CATHOLIC FOUNDATION OF
EASTERN MONTANA, INC.**

**AUDITED FINANCIAL STATEMENTS
With Supplemental Information**

December 30, 2015 and 2014



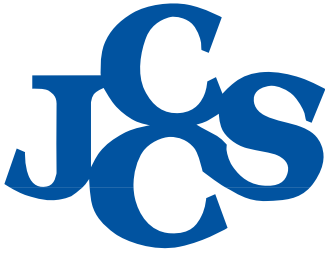
Junkermier • Clark

Campanella • Stevens • P.C.

Certified Public Accountants and Business Advisors

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**To the Board of Trustees
Catholic Foundation of Eastern Montana, Inc.
Great Falls, Montana**

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of Catholic Foundation of Eastern Montana, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 30, 2015 and 2014, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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.

Auditors' 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 of America. 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 Catholic Foundation of Eastern Montana, Inc., as of December 30, 2015 and 2014, 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 of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of activities on pages 20 and 21 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Junkermier, Clark, Campanella, Stevens, P.C.

Great Falls, Montana

June 8, 2016

**CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 511,081	\$ 931,829
Accrued interest receivable	29,394	24,344
Land and buildings	399,884	399,884
	940,359	1,356,057
INVESTMENTS, at market	9,822,909	8,678,847
Total assets	\$ 10,763,268	\$ 10,034,904
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,728	\$ 153
Other liabilities	125	-
Gift annuities payable	198,430	191,742
Agency funds payable	10,417,505	9,790,993
	10,619,788	9,982,888
NET ASSETS		
Unrestricted	99,098	9,787
Temporarily restricted	5,579	8,056
Permanently restricted	38,803	34,173
	143,480	52,016
Total liabilities and net assets	\$ 10,763,268	\$ 10,034,904

See notes to financial statements.

**CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
STATEMENT OF ACTIVITIES**

	Year Ended 2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 42,632	\$ -	\$ 12,500	\$ 55,132
Investment income	126	-	-	126
Net realized and unrealized loss	-	(2,477)	-	(2,477)
Reimbursed expenses	8,778	-	-	8,778
Administrative fee income	44,524	-	-	44,524
Allocations from other organizations	45,040	-	-	45,040
Change in value of split-interest agreements	-	-	(7,870)	(7,870)
	141,100	(2,477)	4,630	143,253
Total revenues, gains, and other support				
EXPENSES				
Management and general				
Advertising	50	-	-	50
Bank service charges	249	-	-	249
Employee benefits	9,786	-	-	9,786
Interest expense	2,163	-	-	2,163
Meetings and travel	367	-	-	367
Miscellaneous expense	998	-	-	998
Office management expenses	2,133	-	-	2,133
Online donation fees	3,243	-	-	3,243
Payroll taxes	2,280	-	-	2,280
Postage	39	-	-	39
Telephone	155	-	-	155
Wages	30,326	-	-	30,326
	51,789	-	-	51,789
Total expenses				
CHANGE IN NET ASSETS	89,311	(2,477)	4,630	91,464
Net assets, beginning of period	9,787	8,056	34,173	52,016
NET ASSETS, END OF PERIOD	\$ 99,098	\$ 5,579	\$ 38,803	\$ 143,480

See notes to financial statements.

**CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
STATEMENT OF ACTIVITIES**

	Year Ended 2014			Totals
	Unrestricted	Temporarily Restricted	Permanently Restricted	
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 9,293	\$ -	\$ 2,810	\$ 12,103
Investment income	-	1,248	-	1,248
Net realized and unrealized gain	-	6,736	-	6,736
Change in value of split-interest agreements	-	-	(172)	(172)
Net assets released from restrictions through the satisfaction of program requirements	9,129	(9,129)	-	-
Total revenues, gains, and other support	18,422	(1,145)	2,638	19,915
EXPENSES				
Management and general				
Bank service charges	142	-	-	142
Interest expense	1,365	-	-	1,365
Professional fees	36	-	-	36
Total expenses	1,543	-	-	1,543
CHANGE IN NET ASSETS	16,879	(1,145)	2,638	18,372
Net assets, beginning of period	(7,092)	9,201	31,535	33,644
NET ASSETS, END OF PERIOD	\$ 9,787	\$ 8,056	\$ 34,173	\$ 52,016

See notes to financial statements.

**CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 91,464	\$ 18,372
Non-cash items included in change in net assets:		
Net realized and unrealized gain on investments	2,477	(6,736)
Change in value of investments for benefit of other organizations	(1,159,039)	(634,730)
Change in:		
Accrued interest receivable	(5,050)	(4,112)
Accounts payable	3,575	(4,413)
Other liabilities	125	-
Gift annuities payable	6,688	104,971
Agency funds payable	626,512	1,147,939
Net cash provided (used) by operating activities	(433,248)	621,291
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of securities	-	(1,232)
CASH FLOWS FROM FINANCING ACTIVITIES		
Contributions to permanently restricted endowments	12,500	2,810
NET CHANGE IN CASH	(420,748)	622,869
Cash, beginning of year	931,829	308,960
CASH, END OF YEAR	\$ 511,081	\$ 931,829
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during year for interest	\$ 2,163	\$ 1,365

See notes to financial statements.

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS
December 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Nature of Activities:

The Catholic Foundation of Eastern Montana, Inc. (the Foundation) is a non-profit religious corporation formed in 1999. A Board of Directors manages the affairs and assets of the Foundation. The primary purpose of the Foundation is to create permanent endowments whose income will be used to fulfill the following goals:

- a. To promote, expand and strengthen the Roman Catholic Church in the Diocese of Great Falls-Billings (Diocese),
- b. To support the Diocese and by seeking and securing, investing and managing financial support to benefit the programs of the Diocese,
- c. To manage and administer the funds and property donated to the Foundation consistent with the intent of the donors,
- d. Consistent with the expressed needs and priorities of the Diocese, to support and assist, financially or in any other manner the religious, educational, charitable, and medical institutions or programs operated by or under the auspices of the Bishop and the Diocese,
- e. To engage in other lawful activity which may hereafter be authorized from time to time by the Board; provided, however, that the purposes for which the Foundation is formed shall at all times be consistent with 501(c)(3) of the Internal Revenue Code, as it now exists or as it may be amended from time to time,
- f. To hold and exercise all rights and powers conferred on nonprofit organizations under Montana Code Annotated 35-2-118 of the Montana Nonprofit Corporation Act; provided however, that the Foundation shall not engage in any activities or exercise any powers that are not in furtherance of the state purposes of the Foundation and the Diocese.

Basis of Accounting:

The financial statements of the Organization have been prepared on the accrual basis.

Basis of Presentation:

The Foundation's financial statements are presented in accordance with U.S. generally accepted accounting principles (GAAP) which requires the Foundation to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. A description of the three net asset categories follows:

Unrestricted - Net assets that are not subject to donor-imposed restrictions. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted - Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time.

Permanently Restricted - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization.

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Basis of Presentation (Continued):

Contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

In addition, the Foundation accounts for contributions received for the benefit of others as liabilities to those organizations.

Cash Equivalents:

For purposes of the statement of cash flows, the Foundation considers cash and all highly liquid investments with a maturity of three months or less to be cash equivalents. Cash and short-term investments held in a financial institution money market are reported as investments instead of cash.

Investment Securities:

The Foundation investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position.

A significant portion of the Foundation's investments are subject to the risk of value fluctuations that is inherent in the market. As such, the value of the Foundation's assets may change frequently. To help manage this risk, the Foundation utilizes professional investment managers who oversee the Foundation's portfolio.

Investment income net of expenses and net realized gains (losses) are pooled and allocated monthly to the participating organizations based upon the value of their accounts in relation to the total value of all accounts at the beginning of each month. Contributions are allocated at the beginning of the month. Distributions of the net investment income, if any, are paid annually. Unrealized gains (losses) are not distributed.

Donated Land and Buildings:

Donations of land and buildings are recorded as contributions at their estimated fair value at the date of the donation. Assets donated with explicit restrictions regarding their use are reported as increases in restricted net assets. Land and buildings are not being depreciated as the value of the buildings is negligible.

Advertising:

Advertising costs are expensed as incurred. Advertising expense for the years ended December 30, 2015 and 2014, was \$50 and \$191 .

Income Taxes:

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

Functional Expenses:

The expenses of the Foundation are management and general expenses.

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 30, 2015 and 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES (Continued)

Agency Transactions:

The Catholic Foundation of Eastern Montana, Inc. is a recipient organization, accepting assets from a donor and agreeing to (a) use those assets on behalf of a specified beneficiary or (b) disburse those assets, the return on investment of those assets, or both to that beneficiary. The contributions received in these situations are considered agency transactions and the recipient organization has not received a contribution. Accordingly, the Foundation recognizes the agency transaction by recording a liability to the specified beneficiary. The liability, agency funds payable, is recorded at the fair value of the asset.

2. INVESTMENTS

Investments include the following at December 30, 2015:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
U.S. government and municipal bonds	\$ 329,908	\$ 325,639	\$ (4,269)
Corporate bonds	2,536,988	2,502,631	(34,357)
Corporate stock	5,480,618	6,279,214	798,596
Equity funds	170,000	173,164	3,164
Money market	<u>542,261</u>	<u>542,261</u>	<u>-</u>
Total investments	<u>\$ 9,059,775</u>	<u>\$ 9,822,909</u>	<u>\$ 763,134</u>

Investments include the following at December 31, 2014:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gain (Loss)</u>
U.S. government and municipal bonds	\$ 402,689	\$ 442,910	\$ 40,221
Corporate bonds	2,258,313	2,245,488	(12,825)
Corporate stock	4,191,794	5,355,533	1,163,739
Equity funds	170,000	178,192	8,192
Money market	<u>456,724</u>	<u>456,724</u>	<u>-</u>
Total investments	<u>\$ 7,479,520</u>	<u>\$ 8,678,847</u>	<u>\$ 1,199,327</u>

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 30, 2015 and 2014

2. INVESTMENTS (Continued)

The following summarizes changes in the relationships between carrying values and fair values of investments:

	Cost	Fair Value	Unrealized Gain
December 30, 2015	\$ 9,059,775	\$ 9,822,909	\$ 763,134
December 31, 2014	7,479,520	8,678,847	<u>1,199,327</u>
Total decrease in net unrealized gain			<u><u>\$ (436,193)</u></u>

	Cost	Fair Value	Unrealized Gain
December 31, 2014	\$ 7,479,520	\$ 8,678,847	\$ 1,199,327
December 31, 2013	6,494,819	8,038,959	<u>1,544,140</u>
Total decrease in net unrealized gain			<u><u>\$ (344,813)</u></u>

3. FAIR VALUE MEASUREMENTS

The Foundation determines the fair value of its investments according to GAAP which provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to unadjusted observable quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable input (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 - unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability;

Level 3 - significant unobservable prices or inputs where there is little or no market activity for the asset or liability at the measurement date.

The asset or liabilities fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 30, 2015 and 2014

3. FAIR VALUE MEASUREMENTS (Continued)

Fair values of assets measured on a recurring basis at December 30, 2015, are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. government and municipal bonds	\$ 325,639	\$ 325,639	\$ -	\$ -
Corporate bonds	2,502,631	2,502,631	-	-
Corporate stock	6,279,214	6,279,214	-	-
Equity funds	173,164	173,164	-	-
Money market	542,261	542,261	-	-
	<u>\$ 9,822,909</u>	<u>\$ 9,822,909</u>	<u>\$ -</u>	<u>\$ -</u>

Fair values of assets measured on a recurring basis at December 31, 2014, are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
U.S. government and municipal bonds	\$ 442,910	\$ 442,910	\$ -	\$ -
Corporate bonds	2,245,488	2,245,488	-	-
Corporate stock	5,355,533	5,355,533	-	-
Equity funds	178,192	178,192	-	-
Money market	456,724	456,724	-	-
	<u>\$ 8,678,847</u>	<u>\$ 8,678,847</u>	<u>\$ -</u>	<u>\$ -</u>

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 30, 2015 and 2014

4. ENDOWMENT

The Foundation's endowment consists of permanently restricted funds established for the greatest needs of the Catholic Foundation of Eastern Montana, Inc. Contributions to the endowment fund are subject to donor restrictions that stipulate the original principal of the gift is to be held and invested by the Foundation indefinitely and income from the fund is to be expended for the greatest needs of the Catholic Foundation of Eastern Montana, Inc. As required by generally accepted accounting principles in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law:

The Foundation has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the presentation 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, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors when making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose 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
7. The investment policies of the Foundation

Spending Policy:

Purpose - The goal of the spending policy is to provide funding from the Endowment Fund(s) to the various beneficiaries, in a disciplined and reasonable approach, while at the same time attempting to do so in a predictable, reasonable and consistent basis.

The spending policy helps to determine the payout rate from the Endowment to the beneficiaries. A 4.5% cap and a 3% floor have been put in place to help moderate spending during times of volatile periods. The cap rate and the floor can be changed by the Board of Directors (Board) of the Foundation, but acts to provide stability and long term growth in the Foundation.

These limitations do not apply to endowments less than one year old, or endowments with less than \$10,000 invested. In these cases, it will be up to the Board to determine the amount, if any, distribution is to take place.

Earnings and losses will only be allocated to endowed funds within the Foundation.

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 30, 2015 and 2014

4. ENDOWMENT (Continued)

Spending Policy (Continued):

Determining the Distribution Rate - The Finance Committee of the Foundation will make an annual recommendation for the distributions, within the approved guidelines to the Board. The suggested rate will be set annually after giving due consideration to the following factors:

1. Fund duration
2. Fund purpose
3. General economic conditions
4. Projected and actual rates of inflation or deflation
5. Actual and projected total return
6. Other resources and factors
7. Foundation investment policies

Donations received into funds on or before the 15th of a month will be allocated earnings for that entire month. Funds received the 16th or later in the month will begin receiving earnings beginning with the following full month. Conversely, disbursements from a fund through the 15th of a month will not be included toward monthly allocated earnings. Disbursements from the 16th forward in a month will be included when receiving allocated earnings.

Timing of Distributions - Distributions to the beneficiaries will be made as soon as possible after the fiscal year end, but no later than 120 days after year end.

Endowment Investment Policy:

Investment Objective - The obligations of the Foundation are long-term in nature; consequently, the investment of the endowment assets has a long-term focus. The endowment assets are invested in accordance with sound investment practices that emphasize long-term investment fundamentals. The primary investment objectives are, first, the preservation of purchasing power of the principal. The second objective is the generation of a reasonable income to support the specific programs as identified by the donors. These objectives are achieved through a well-diversified portfolio structure in a manner consistent with the investment policy when read in its entirety.

Risk Tolerance - The Foundation examined two important factors that affect the portfolio risk tolerance: financial ability to accept risk within the investment program and the willingness to accept return volatility. The Foundation is comfortable with a low to moderate risk strategy. However, safety and soundness is considered essential in the selection of securities. Specifically, approved investments may be in blue chip stocks, corporate bonds, time certificates of deposit, commercial paper US Treasury securities, government agency offerings and money market funds, bank security agreements and savings accounts.

Strategies for Achieving Objectives - To satisfy its long-term 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).

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 30, 2015 and 2014

4. ENDOWMENT (Continued)

Endowment net asset composition as of December 30, 2015, is as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Endowment assets</u>
Endowment funds:				
Donor-restricted endowment funds	\$ -	\$ 5,579	\$ 1,747	\$ 7,326
Annuity endowment funds	-	-	37,056	37,056
Total	<u>\$ -</u>	<u>\$ 5,579</u>	<u>\$ 38,803</u>	<u>\$ 44,382</u>

Changes in endowment net assets as of December 30, 2015, are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Endowment assets</u>
Endowment net assets, beginning of year	\$ 9,129	\$ 8,056	\$ 34,173	\$ 51,358
Contributions	-	-	12,500	12,500
Net depreciation	-	(2,477)	-	(2,477)
Change in value of split- interest agreements	-	-	(7,870)	(7,870)
Amounts appropriated for expenditure	<u>(9,129)</u>	<u>-</u>	<u>-</u>	<u>(9,129)</u>
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 5,579</u>	<u>\$ 38,803</u>	<u>\$ 44,382</u>

Changes in endowment net assets as of December 31, 2014, are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Endowment assets</u>
Endowment net assets, beginning of year	\$ 392	\$ 9,201	\$ 31,535	\$ 41,128
Contributions	-	-	2,810	2,810
Investment income	-	1,248	-	1,248
Net appreciation	-	6,736	-	6,736
Change in value of split- interest agreements	-	-	(172)	(172)
Amounts appropriated for expenditure	(392)	-	-	(392)
Net assets released from restrictions	<u>9,129</u>	<u>(9,129)</u>	<u>-</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 9,129</u>	<u>\$ 8,056</u>	<u>\$ 34,173</u>	<u>\$ 51,358</u>

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
NOTES TO FINANCIAL STATEMENTS (Continued)
December 30, 2015 and 2014

5. SPLIT-INTEREST AGREEMENTS

The Foundation administers various charitable gift annuities. A charitable gift annuity provides for the payment of distributions to the donor or other designated beneficiary over a specified period. At the end of the specified period, the remaining assets are distributed to the designated beneficiary. The contributions are invested with the general investments of the Foundation and the related annuity liability is recorded as a gift annuity payable. The Foundation calculates the present value of the gift annuity payable using the long-term applicable federal rate in affect at the date of the gift. As a result, investment income earned and changes in the fair value of investments are recognized in the same manner as the income, gains, and losses of the Foundation's other investments. Total charitable and deferred gift annuity contributions received during the years ended December 30, 2015 and 2014 were \$231,820 and \$196,700, respectively.

6. RELATED PARTIES

In addition to providing financial assistance to operating ministries discussed in Notes 1 and 7, the Foundation received accounting services provided by the accounting staff at the Central Administrative Office of the Diocese of Great Falls-Billings. No costs were incurred for these services and no amounts are reflected on the statements of activities for the years ended December 30, 2015 and 2014.

7. DISTRIBUTIONS

The Foundation distributes net realized income to each parish or organization. Distributions for the years ended December 30, 2015 and 2014, were \$389,416 and \$377,991, respectively, and are distributed subsequent to year end.

8. CONCENTRATIONS OF CREDIT RISK

Occasionally the Foundation maintains cash balances in excess of FDIC insurance limits of \$250,000. The Foundation does not believe that it is exposed to a significant credit risk as deposits are maintained in high quality financial institutions. At December 30, 2015 and 2014, the Foundation's uninsured cash balances totaled \$171,342 and \$565,303, respectively.

9. RECLASSIFICATIONS

Certain amounts in the June 30, 2014, comparative information have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets in the prior year.

10. SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 8, 2016, the date on which the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
SCHEDULE OF ACTIVITIES - FOUNDATION AND AGENCY TRANSACTIONS
Year Ended December 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 271,647	\$ 335,048	\$ 535,794	\$ 1,142,489
Investment income	196,577	-	-	196,577
Net realized and unrealized gain (loss)	(2,117)	(2,477)	-	(4,594)
Reimbursed expenses	8,778	-	-	8,778
Administrative fee income	44,524	-	-	44,524
Miscellaneous income	541	-	-	541
Ranch income	21,552	-	-	21,552
Change in value of split-interest agreements	-	-	(7,870)	(7,870)
	<u>541,502</u>	<u>332,571</u>	<u>527,924</u>	<u>1,401,997</u>
Total revenues, gains, and other support				
EXPENSES AND ALLOCATIONS				
Management and general				
Advertising	50	-	-	50
Bank service charges	21,587	-	-	21,587
Employee benefits	9,786	-	-	9,786
Interest expense	9,155	-	-	9,155
Licenses and permits	15	-	-	15
Meetings and travel	367	-	-	367
Miscellaneous expense	998	-	-	998
Office management expenses	2,133	-	-	2,133
Online donation fees	3,243	-	-	3,243
Payroll taxes	2,280	-	-	2,280
Postage	39	-	-	39
Professional fees	5,000	-	-	5,000
Ranch expenses	4,395	-	-	4,395
Telephone	155	-	-	155
Wages	30,326	-	-	30,326
	<u>89,529</u>	<u>-</u>	<u>-</u>	<u>89,529</u>
Total expenses				
Allocations to other organizations	<u>362,662</u>	<u>335,048</u>	<u>523,294</u>	<u>1,221,004</u>
Total expenses and allocations	<u>452,191</u>	<u>335,048</u>	<u>523,294</u>	<u>1,310,533</u>
CHANGE IN NET ASSETS	89,311	(2,477)	4,630	91,464
Net assets, beginning of period	<u>9,787</u>	<u>8,056</u>	<u>34,173</u>	<u>52,016</u>
NET ASSETS, END OF PERIOD	<u>\$ 99,098</u>	<u>\$ 5,579</u>	<u>\$ 38,803</u>	<u>\$ 143,480</u>

See notes to financial statements.

CATHOLIC FOUNDATION OF EASTERN MONTANA, INC.
SCHEDULE OF ACTIVITIES - FOUNDATION AND AGENCY TRANSACTIONS
Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>
REVENUES, GAINS, AND OTHER SUPPORT				
Contributions	\$ 1,710,801	\$ -	\$ 429,693	\$ 2,140,494
Investment income	172,079	1,248	-	173,327
Net realized and unrealized gain	493,280	6,736	-	500,016
Reimbursed expenses	4,658	-	-	4,658
Ranch income	36,536	-	-	36,536
Change in value of split-interest agreements	-	-	(172)	(172)
Net assets released from restrictions through the satisfaction of program requirements	9,129	(9,129)	-	-
	<u>2,426,483</u>	<u>(1,145)</u>	<u>429,521</u>	<u>2,854,859</u>
Total revenues, gains, and other support				
EXPENSES AND ALLOCATIONS				
Management and general				
Advertising	191	-	-	191
Bank service charges	19,716	-	-	19,716
Interest expense	7,007	-	-	7,007
Licenses and permits	15	-	-	15
Office management expenses	240	-	-	240
Online donation fees	4,036	-	-	4,036
Printing and reproduction	350	-	-	350
Professional fees	5,000	-	-	5,000
Ranch expenses	7,709	-	-	7,709
	<u>44,264</u>	<u>-</u>	<u>-</u>	<u>44,264</u>
Total expenses				
Allocations to other organizations	<u>2,365,340</u>	<u>-</u>	<u>426,883</u>	<u>2,792,223</u>
Total expenses and allocations	<u>2,409,604</u>	<u>-</u>	<u>426,883</u>	<u>2,836,487</u>
CHANGE IN NET ASSETS	16,879	(1,145)	2,638	18,372
Net assets, beginning of period	<u>(7,092)</u>	<u>9,201</u>	<u>31,535</u>	<u>33,644</u>
NET ASSETS, END OF PERIOD	<u>\$ 9,787</u>	<u>\$ 8,056</u>	<u>\$ 34,173</u>	<u>\$ 52,016</u>

See notes to financial statements.