CENTRAL ADMINISTRATIVE OFFICE OF THE ROMAN CATHOLIC BISHOP OF GREAT FALLS, MONTANA, A CORPORATION SOLE

GREAT FALLS, MONTANA

FINANCIAL STATEMENTS
AS OF
JUNE 30, 2018 and 2017

Douglas Wilson & Company, P.C.

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INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the Central Administrative Office of the Roman Catholic Bishop of Great Falls, Montana, a Corporation Sole (the Chancery), which comprise the statements of financial position as of June 30, 2018 and 2017, 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.

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 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.

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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 Central Administrative Office of the Roman Catholic Bishop of Great Falls, Montana, a Corporation Sole, as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Douglas Wilson + Company, P.C

Great Falls, Montana
April 12, 2019

CENTRAL ADMINISTRATIVE OFFICE OF DIOCESE OF GREAT FALLS-BILLINGS

GREAT FALLS, MONTANA

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2018 AND 2017

ASSETS	6/30/18	6/30/17
Cash and Cash Equivalents	$ 3,191,943	$ 1,127,976
Investments	5,570,629	5,207,711
Accounts Receivable		
Parishes and Institutions	266,717	207,443
Assessments (Net)	1,578,533	1,572,806
Other	288,030	115,596
Deposits and Other Prepaid Expenses	27,897	22,230
Interest in Capital Asset Support Corporation	2,058,811	2,455,251
Interest in Catholic Foundation of Eastern Montana	2,525,654	2,198,701
Property and Equipment (net of accumulated depreciation)	7,001,941	7,310,903
Total Assets	**$ 22,510,155**	**$ 20,218,617**

LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts Payable and Accrued Liabilities	$ 950,663	$ 660,603
Settlement Payable	4,500,000	-
Held for Parishes and Institutions	3,180,113	1,484,526
Other Liabilities	62,085	77,338
Postretirement Benefit Obligation	11,531,161	13,084,819
Total Liabilities	20,224,022	15,307,286
Net Assets:		
Unrestricted	(4,320,616)	(1,337,384)
Temporarily Restricted	2,463,228	2,279,223
Permanently Restricted	4,143,521	3,969,492
Total Net Assets	2,286,133	4,911,331
Total Liabilities and Net Assets	**$ 22,510,155**	**$ 20,218,617**

See accompanying notes to the financial statements.

CENTRAL ADMINISTRATIVE OFFICE OF DIOCESE OF GREAT FALLS-BILLINGS

GREAT FALLS, MONTANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	6/30/18
Revenues:				
Gifts, Bequests, Grants and Assessments	$ 1,434,993	$ 1,766,630	$ 18,564	$ 3,220,187
Insurance	189,126	-	-	189,126
Investment Income	442,256	-	-	442,256
Rents and Leases Income	116,759	-	-	116,759
Other Revenue	433,824	-	-	433,824
Fees for Services	1,112,508	-	-	1,112,508
Change in Beneficial Interest in Catholic Foundation of Eastern Montana	(64,825)	236,313	155,465	326,953
Net Assets Released from Restrictions	1,818,938	(1,818,938)	-	-
Total Revenues	5,483,579	184,005	174,029	5,841,613
Expenses:				
Compensation and Benefits	488,596	-	-	488,596
Property Costs and Depreciation	1,103,179	-	-	1,103,179
Office Expenses	132,735	-	-	132,735
Professional Fees	1,041,625	-	-	1,041,625
Interest Paid to Parishes and Organizations	88	-	-	88
Insurance	90,290	-	-	90,290
Other Operating Expenses	606,985	-	-	606,985
Seminarian Expenses	223,756	-	-	223,756
Exchange Program Expenses	81,370	-	-	81,370
Auto, Travel and Meeting Expenses	198,187	-	-	198,187
Settlement Expenses	4,500,000	-	-	4,500,000
Total Expenses	8,466,811	-	-	8,466,811
Change in Net Assets	(2,983,232)	184,005	174,029	(2,625,198)
Net Assets at Beginning of Year	(1,337,384)	2,279,223	3,969,492	4,911,331
Net Assets at End of Year	**$ (4,320,616)**	**$ 2,463,228**	**$ 4,143,521**	**$ 2,286,133**

See accompanying notes to the financial statements.

CENTRAL ADMINISTRATIVE OFFICE OF DIOCESE OF GREAT FALLS-BILLINGS

GREAT FALLS, MONTANA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	6/30/17
Revenues:				
Gifts, Bequests, Grants and Assessments	$ 1,337,239	$ 1,757,613	$ 12,240	$ 3,107,092
Insurance	37,181	-	-	37,181
Investment Income	796,899	-	-	796,899
Rents and Leases Income	101,124	-	-	101,124
Other Revenue	304,671	-	-	304,671
Fees for Services	1,153,015	-	-	1,153,015
Change in Beneficial Interest in Catholic Foundation of Eastern Montana	(56,310)	6,027	327,665	277,382
Net Assets Released from Restrictions	1,763,550	(1,763,550)	-	-
Total Revenues	5,437,369	90	339,905	5,777,364
Expenses:				
Compensation and Benefits	736,009	-	-	736,009
Property Costs and Depreciation	721,706	-	-	721,706
Office Expenses	166,828	-	-	166,828
Professional Fees	842,765	-	-	842,765
Interest Paid to Parishes and Organizations	88,705	-	-	88,705
Insurance	127,594	-	-	127,594
Other Operating Expenses	1,293,691	-	-	1,293,691
Seminarian Expenses	158,293	-	-	158,293
Exchange Program Expenses	183,739	-	-	183,739
Auto, Travel and Meeting Expenses	201,297	-	-	201,297
Total Expenses	4,520,627	-	-	4,520,627
Change in Net Assets	916,742	90	339,905	1,256,737
Net Assets at Beginning of Year	(2,254,126)	2,279,133	3,629,587	3,654,594
Net Assets at End of Year	$ (1,337,384)	$ 2,279,223	$ 3,969,492	$ 4,911,331

See accompanying notes to the financial statements.

CENTRAL ADMINISTRATIVE OFFICE OF DIOCESE OF GREAT FALLS-BILLINGS

GREAT FALLS, MONTANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 and 2017

	6/30/18	6/30/17
Cash Flows from Operating Activities:		
Change in Net Assets	$ (2,625,198)	$ 1,256,737
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Bad Debts	32,230	649,706
Net Change in Capital Asset Support Corporation	-	(44,080)
Net Change in Catholic Foundation of Eastern Montana	(326,953)	(277,383)
Depreciation	308,962	333,412
Contributions Restricted for Long-Term Purposes	(18,564)	(12,240)
Realized and Unrealized (Gain) Loss on Investments	(315,166)	(585,815)
(Increase) Decrease in Operating Assets:		
Accounts Receivable from Parishes and Institutions	(59,274)	(119,394)
Assessments (Net)	(37,957)	6,046
Other Receivables	(172,434)	3,699
Deposits and Other Prepaid Expenses	(5,667)	(16,911)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Liabilities	290,060	127,257
Settlement Payable	4,500,000	-
Interest Payable to Parishes and Institutions	-	(174,447)
Postretirement Benefit Obligation	(1,553,658)	(1,371,177)
Other Liabilities	(15,253)	12,018
Net Cash Provided (Used) by Operating Activities	1,128	(212,572)
Cash Flows from Investing Activities:		
Sale/Redemption of Investments	597,796	2,136,160
Purchases of Investments	(645,548)	(1,214,512)
Purchases of Property and Equipment	-	(87,120)
Payments Received on Loans to Parishes and Institutions	-	1,634,419
Payments Received on Loans to Others	-	2,998
Net Cash Provided (Used) by Investing Activities	(47,752)	2,471,945
Cash Flows from Financing Activities:		
Proceeds from Contributions Restricted for Long-Term Purposes	18,564	12,240
New Deposits from Parishes and Institutions	-	1,003,542
Deposits Returned to Parishes and Institutions	-	(1,461,769)
Cash Transfers from (to) Capital Asset Support Corporation	396,440	(2,306,312)
Net Change in Funds Held for Parishes and Institutions	1,695,587	(34,249)
Net Cash Provided (Used) by Financing Activities	2,110,591	(2,786,548)
Net Increase (Decrease) in Cash	2,063,967	(527,175)
Cash and Cash Equivalents - Beginning of Year	1,127,976	1,655,151
Cash and Cash Equivalents - End of Year	**$ 3,191,943**	**$ 1,127,976**

See accompanying notes to the financial statements.

CENTRAL ADMINISTRATIVE OFFICE OF DIOCESE OF GREAT FALLS-BILLINGS

GREAT FALLS, MONTANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 and 2017

	6/30/18	6/30/17
SUPPLEMENTAL DISCLOSURES		
Interest Paid:		
Deposits in Deposit and Loan Fund	$ -	$ 263,152
Noncash Investing and Financing Transactions:		
Investments Transferred to Capital Asset Support Corporation	-	12,898,836
Loans Transferred to Capital Asset Support Corporation	-	2,639,734
Deposits Transferred to Capital Asset Support Corporation	-	(17,844,882)
Cash Transferred to Capital Asset Support Corporation	$ -	$ (2,306,312)

See accompanying notes to the financial statements.

NOTE 1: ORGANIZATION AND NATURE OF ACTIVITIES:

According to the Code of Canon Law of the Roman Catholic Church, a diocese is "a portion of the people of God which is entrusted for pastoral care to a bishop" (Canon 369). A diocese is normally territorial and is divided into distinct parts called parishes (see Canon 374).

In 1884, Pope Leo XIII created the Diocese of Helena, with boundaries being the same as the present State of Montana. In 1904, the Diocese of Helena was split and the Diocese of Great Falls (now Great Falls-Billings) was established. The Diocese of Great Falls-Billings includes roughly the eastern two-thirds of the State of Montana. As such, the Diocese's receivables are mainly subject to the economic conditions of this geographic region.

In civil law, the Diocese of Great Falls-Billings is incorporated as the Roman Catholic Bishop of Great Falls, Montana, a Corporation Sole, (the Corporation Sole). The Corporation Sole operates the Central Administrative Office of the Diocese of Great Falls-Billings (the Chancery). Other operating divisions of the Corporation Sole include some 50 parishes, many with missions attached to them, school systems, and various other Catholic programs within the Diocese.

The accompanying financial statements include only the Chancery and those funds over which the Chancery maintains direct operational control, which include Mount Olivet Cemetery, Holy Cross Cemetery and Great Falls Central Catholic High School. Such statements do not include any assets or liabilities of the other operating divisions of the Corporation Sole as described above. In addition, the accompanying financial statements do not include, or pertain to, separate and independent corporate entities affiliated with the Corporation Sole that are located within the Diocese of Great Falls-Billings such as: The Diocese of Great Falls-Billings Juridic Persons Capital Assets Support Corporation, The Diocese of Great Falls-Billings Juridic Persons Real Property Support Corporation, and The Catholic Foundation of Eastern Montana.

A significant portion of the Chancery's revenues is derived from assessments obtained from and fees for services provided to parishes, schools and other Diocesan institutions. The Chancery also administers the Diocesan insurance program.

The Chancery administered a Deposit and Loan Fund for its investments and on behalf of parishes through November 30, 2016, at which time the assets and related deposits payable were transferred to The Diocese of Great Falls-Billings Juridic Persons Capital Assets Support Corporation.

Assignment to Support Corporations - The Diocese of Great Falls-Billings Juridic Persons Capital Assets Support Corporation (Capital Assets Support Corporation) and The Diocese of Great Falls-Billings Juridic Persons Real Property Support Corporation (Real Property Support Corporation), collectively referred to as the "Support Corporations" are separate and distinct corporations from the Corporation Sole. The Support Corporations exist for the expressed purpose of owning and maintaining certain real properties and capital assets in order for the civil structure of asset ownership to more closely conform with Canon law and to support the mission of parishes, schools and other diocesan entities that are operated civilly by the Corporation Sole.

The process of exploring and implementing the support corporation model has been on-going for several years. As of June 30, 2018, only the Capital Assets Support Corporation is fully operational, whereas the Real Property Support Corporation remains dormant with operations expected to commence in 2019. While the Corporation Sole maintains/will maintain an economic interest in the Support Corporations, it does not have control of or ability to determine the direction of management and policies. Therefore, the financial statements of the Support Corporations are not consolidated with those of the Corporation Sole.

The Corporation Sole has historically administered a Deposit and Loan Fund (DLF) on behalf of parishes, schools, and other diocesan entities. The DLF holds assets in the form of cash and investments as well as loans and notes receivable. The liabilities of DLF consist of deposits payable to parishes, schools, and other diocesan entities. Currently, the primary purpose of the Capital Assets Support Corporation is to administer the DLF. To achieve that purpose, in December 2016 the Corporation Sole irrevocably and unconditionally assigned, transferred and conveyed rights, title and interest in all DLF assets and liabilities to the Capital Assets Support Corporation.

The Corporation Sole and Support Corporations are financially interrelated organizations; therefore, at the date of the transfer of the DLF assets and liabilities held by the Chancery, the transfer is treated as an equity transfer and the net carrying value of the assets and liabilities transferred is reclassified as a beneficial interest in the Capital Assets Support Corporation's net assets. The value of the beneficial interest equaled the value of the deposits held in the DLF on behalf of the Corporation Sole on the date of the transfer.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Chancery conform to accounting principles generally accepted in the United States of America (GAAP) applicable to not-for-profit entities. A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Presentation - The Chancery reports information regarding its financial position and activities according to three classes of net assets that are based upon the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - Includes net assets of the Chancery that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - Includes net assets of the Chancery received with donor stipulations that limit the use of the net assets. Donor restrictions are stipulated by either a time restriction or a purpose restriction. Upon expiration of a time restriction or completion of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Temporarily restricted amounts received and used during the year flow through the statement of activities as unrestricted.

Permanently Restricted Net Assets - Includes net assets whose use has been restricted for investment in perpetuity as donor-restricted endowments. The income from endowments is available for either general operations or specific programs as specified by the donor.

Method of Accounting - The financial statements have been prepared on the accrual basis of accounting.

Use of Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures at the date of the financial statements, as well as revenues and expenses during the period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents - For the purposes of the financial statements, the Chancery considers all highly liquid accounts with an original maturity date of three months or less as cash equivalents, except for cash and cash equivalents held by investment custodians.

Concentration of Credit Risk - Financial instruments that potentially subject the Chancery to concentrations of credit risk consist principally of cash and cash equivalents. Such balances with any one institution may, at times, be in excess of the Federal Deposit Insurance Corporation insured limit of $250,000. At June 30, 2018, the Chancery's uninsured cash balances total $2,793,002. Risks associated with cash and cash equivalents are mitigated by banking with credit worthy institutions. The Chancery has not experienced any losses in such accounts and believes it is not exposed to any significant risk.

Investments - Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position, with current period recognition of increases or decreases in fair value shown in the statement of activities. Investments also include cash and cash equivalents held by investment custodians. Investment income recorded on the statement of activities includes interest and dividend income, as well as realized and unrealized gains and losses.

Fair Value Measurements - The Chancery follows the fair value measurement standards which define fair value as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the assets or liabilities in an orderly transaction between market participants on the measurement date. Subsequent changes in fair value of these financial assets and liabilities are recognized in the change in net assets when they occur.

The Chancery determines the fair value of its financial assets and liabilities in accordance with the GAAP hierarchy for measuring fair value. The hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Chancery. Unobservable inputs are inputs that reflect the Chancery's assumptions about what market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The Chancery's financial assets and liabilities measured at fair value on a recurring basis are categorized according to the fair value hierarchy which prioritizes the valuation of inputs into three broad levels as described below:

> Level 1 – quoted prices in active markets for identical investments as of the measurement date

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 categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

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

Accounts Receivable - Accounts receivables consist of trade and non-trade receivables and assessments receivable from parishes and other institutions and are stated at the amount the Chancery expects to collect from outstanding balances. Credit is extended based upon the evaluation of the parish or institution's financial condition and other factors and, generally, collateral is not required.

The Chancery provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Property and Equipment - Property and equipment are held in the name of the Corporation Sole and are stated at cost if purchased or at their estimated fair value at the date of donation. For properties placed in service and for which the Chancery has oversight, depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

- Buildings and Improvements - 5 to 50 years.
- Furniture and Equipment - 3 to 10 years.
- Vehicles - 4 to 5 years.

The Chancery capitalizes all purchases of fixed assets that cost $2,500 or more and that have an estimated economic life longer than one year.

Assets Held for Parishes and Institutions - The Chancery holds assets for various parishes, schools and institutions related to proceeds from special collections administered by the United States Conference of Catholic Bishops, other special collections local to the Diocese and administered by the Chancery.

Gifts, Bequests and Grants - The Chancery reports gifts, bequests and grants as unrestricted revenue unless they are received with donor stipulations that limit the use of donated assets, in which case they are recorded as temporarily or permanently restricted revenue. Contributions are generally recognized when received.

Income Taxes - In an annually updated ruling, the Internal Revenue Service has held that the agencies, instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in the "Official Catholic Directory" are exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code. The Roman Catholic Bishop of Great Falls, Montana is listed in the "Official Catholic Directory" and therefore is exempt from income tax and income tax filings. Accordingly, the accompanying financial statements reflect no provision for income taxes.

Functional Allocation of Expenses - The costs of providing the various programs and other activities of the Chancery have been summarized on a functional basis in Note 16. Certain costs have been allocated among the programs and supporting services benefited.

Reclassifications - Certain reclassifications have been made to the 2017 financial statements to conform to the 2018 financial statement report format.

New Accounting Pronouncements - Accounting Standards Update (ASU) No. 2016-14: *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14) was issued in August 2016. The main provisions of ASU 2016-14, which amend the requirements for financial statements and notes in the Accounting Standards Codification Topic 958, *Not-for-Profit Entities*, require a not-for-profit entity to change the reporting of net asset classes, expenses, and liquidity in their financial statements. This ASU is effective for annual periods in fiscal years beginning after December 15, 2017, although early adoption is permitted. The Chancery has not adopted ASU 2016-14 in the current year. Management is currently evaluating the future impact of the ASU on the Chancery's financial statements.

NOTE 3: INVESTMENTS:

The Chancery administers investments through independent custodial arrangements for its benefit and the benefit of various Diocesan institutions.

Investments are managed under an investment policy operated under a moderate risk strategy and a balanced approach that is expected to preserve or grow the purchasing power of assets while also reducing the risk of substantial changes in market value from year to year.

Investments were held by the following at June 30, 2018 and 2017:

The Chancery's investment income for the years ended June 30, 2018 and 2017 is as follows:

	6/30/18	6/30/17
Interest and Dividends	$ 69,251	$ 175,933
Net Realized and Unrealized Gain (Loss)		
on Investments	315,166	585,815
Investment Income, Net	384,417	761,748
Deposit and Loan Fund Interest	57,839	35,151
Investment Income	**$ 442,256**	**$ 796,899**

NOTE 4: FAIR VALUE MEASUREMENTS:

The following tables present the Chancery's investments measured at fair value on a recurring basis as of June 30, 2018 and 2017:

	2018	Quoted Prices in Active Markets of Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and Cash Equivalents	$ 376,420	$ 376,420	$ -	$ -
U.S Treasury and Federal Agency Securities	324,236	-	324,236	-
Corporate Bonds	1,150,272	-	1,150,272	-
Equity Securities	3,123,835	3,123,835	-	-
Insurance Policies	380,614	-	-	380,614
Other	215,252	-	-	215,252
	$ 5,570,629	**$ 3,500,255**	**$ 1,474,508**	**$ 595,866**

	2017	Quoted Prices in Active Markets of Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Cash and Cash Equivalents	$ 263,243	$ 263,243	$ -	$ -
U.S Treasury and Federal Agency Securities	414,912	-	414,912	-
Corporate Bonds	1,003,439	-	1,003,439	-
Equity Securities	2,936,141	2,936,141	-	-
Mutual Funds	11,232	11,232	-	-
Insurance Policies	351,346	-	-	351,346
Other	227,398	-	-	227,398
	$ 5,207,711	**$ 3,210,616**	**$ 1,418,351**	**$ 578,744**

A significant portion of the Chancery's investments are classified within Level 1 because they are comprised of individual equities and mutual funds with readily determinable fair values based on daily redemption values. The Chancery also invests in fixed income securities that are valued using pricing models and are classified within Level 2. Level 3 assets include the cash surrender value of a life insurance policy and the equity balance of the Chancery's investment in Catholic Umbrella Pool II, which is a self-insurance fund for certain (Arch) Dioceses of which the Diocese of Great Falls-Billings is a member.

Below is a reconciliation of investments measured using significant unobservable inputs (Level 3) for the years ending June 30, 2018 and 2017:

	6/30/18	6/30/17
Beginning of Year, Level 3	$ 578,744	$ 579,906
Increase (Decrease) in Fair Value	17,122	(1,162)
End of Year, Level 3	**$ 595,866**	**$ 578,744**

NOTE 5: ACCOUNTS RECEIVABLE:

Accounts receivable consist of the following at June 30, 2018 and 2017:

	6/30/18	6/30/17
Parishes and Institutions	**$ 266,717**	**$ 207,443**
Assessments, Net:		
Current Operating Fund Assessment	$ 291,706	$ 377,908
Care and Share Assessment	1,541,828	1,418,360
Less: Allowance for Doubtful Accounts	(255,001)	(223,462)
Total Assessments, Net	**$ 1,578,533**	**$ 1,572,806**

	6/30/18	6/30/17
Other:		
Trade	$ 58,925	$ 30,515
Miscellaneous	231,357	87,333
Less: Allowance for Doubtful Accounts	(2,252)	(2,252)
Total Other	**$ 288,030**	**$ 115,596**

NOTE 6: PROPERTY AND EQUIPMENT:

Property and equipment consists of the following at June 30, 2018 and 2017:

	6/30/18	6/30/17
Land and Land Improvements	$ 1,407,861	$ 1,407,861
Building and Improvements	9,536,929	9,536,929
Furniture and Equipment	714,848	714,848
Vehicles	461,031	461,031
	12,120,669	12,120,669
Less: Accumulated Depreciation	(5,118,728)	(4,809,766)
	$ 7,001,941	**$ 7,310,903**

Depreciation expense amounted to $308,962 and $333,412 for the years ended June 30, 2018 and 2017, respectively.

NOTE 7: SPLIT-INTEREST AGREEMENTS:

The Chancery is the beneficiary of a charitable remainder annuity trust. The trust provides for distribution payments to designated beneficiaries over the trust's term. At the end of the trust's term, the remaining assets are available for use by the Chancery. There are no net assets recorded by the Chancery related to the trust as the present value of the distribution payments exceed the estimated fair value of the trust's assets at June 30, 2018 and 2017.

NOTE 8: NET ASSETS:

Temporarily and permanently restricted net assets as of June 30, 2018 and 2017 are summarized as follows:

	6/30/18	6/30/17
Temporarily Restricted:		
Assessments	$ 1,700,000	$ 1,700,000
Catholic Foundation of Eastern Montana	583,165	346,852
Scholarships	161,263	213,571
Evangelization	18,800	18,800
	$ 2,463,228	**$ 2,279,223**

	6/30/18	6/30/17
Permanently Restricted:		
Seminary Burse	$ 1,225,366	$ 1,225,366
Catholic Foundation of Eastern Montana	1,898,506	1,743,041
Cemeteries Perpetual Care	1,019,649	1,001,085
	$ 4,143,521	**$ 3,969,492**

NOTE 9: PENSION PLAN - PRIESTS:

Diocesan priests are covered by a defined benefit pension plan (which operates as a multi-employer plan) which provides for retirement benefits at age 65. The plan also has provision for early retirement at age 60. A participant is 100% vested after ten years of service.

The plan is funded through the Clerical Benefit Association and Wells Fargo Institutional Trust Group serves as trustee. Contributions are made by employer parishes and organizations. The Chancery contributes on behalf of priests on leave, not in active ministry, and employed at the Chancery. In addition, the Chancery made voluntary contributions to the plan in 2018 and 2017 of $25,000 and $0, respectively.

At June 30, 2018 (the latest valuation date) and 2017, the present value of future plan benefits was approximately $5,268,000 and $6,161,000, respectively, using a discount rate of 4.0% and 3.66%, respectively. The market value of assets available for plan benefits at June 30, 2018 (the latest valuation date) and 2017 was approximately $3,669,000 and 3,424,000, respectively, using an assumed long-term rate of return of 5%.

NOTE 10: PENSION PLAN – LAY EMPLOYEES:

The Chancery provides a 403(b) defined contribution pension plan for lay employees through Christian Brothers Retirement Services. For permanent full-time and part-time employees, the Diocesan contribution is equal to 6% of gross salary. Employees may also contribute to the plan on a voluntary basis from their salary, subject to certain annual limits. For the years ended June 30, 2018 and 2017, employer costs were $80,005 and $90,154, respectively.

NOTE 11: POSTEMPLOYMENT BENEFITS:

The Chancery provides postretirement health insurance benefits for retired priests. The Chancery has determined the cost of its accumulated postretirement benefit obligation for the years ended June 30, 2018 and 2017 in accordance with accounting principles generally accepted in the United States of America.

The following table provides further information about the Chancery postretirement benefit plan at June 30, 2018 and 2017:

	6/30/18	6/30/17
Benefit Obligation	$ 11,531,161	$ 13,084,219
Employer Contributions	309,786	259,144
Participant Contributions	-	-
Benefit Payments	309,786	259,144
Fair Value of Plan Assets	-	-
Net Unfunded Status of the Plan	11,531,161	13,084,219

Amounts recognized in the Statement of Financial Position consist of:

	6/30/18	6/30/17
Accrued Benefit Cost	**$ 11,531,161**	**$ 13,084,219**

The net change in liability recognized in the change in net assets for 2018 and 2017 was $(1,553,058) and $(1,371,777), respectively.

The assumptions used to determine benefit obligations at June 30, 2018 and 2017 were as follows:

	6/30/18	6/30/17
Discount Rate	4.00%	3.66%
Health Care Cost Trend Rate:		
First Year	9.0%	9.0%
Ultimate	5.0%	5.0%
Years to Ultimate	4 Years	4 Years

NOTE 12: RELATED PARTIES:

As disclosed in Note 1, parishes and related institutions that are not fiscally responsible to the Bishop are not included in these financial statements. These financial statements do include various payables and receivables between the Chancery and related parishes and institutions. Related parties and related party transactions are as follows:

Capital Assets Support Corporation - The Corporation Sole irrevocably and unconditionally assigned, transferred and conveyed rights, title and interest in all DLF assets and liabilities to the Capital Assets Support Corporation in December 2016. The net amount transferred was $2,411,171 and represents a beneficial interest in the net assets of the Capital Assets Support Corporation. The change in the beneficial interest in the Capital Assets Support Corporation from December 2016 through June 2017 was $44,080 and the total amount of the Chancery's interest in the net assets of the Capital Assets Support Corporation was $2,455,251 at June 30, 2017. The change in the beneficial interest in the Capital Assets Support Corporation during the year ended June 30, 2018 was $(396,440) and the total amount of the Chancery's interest in the net assets of the Capital Assets Support Corporation is $2,058,811 at June 30, 2018.

Catholic Foundation of Eastern Montana - The Chancery has a beneficial interest in assets held by the Catholic Foundation of Eastern Montana (CFEM). The funds were received from donors who restricted the funds, or income from the funds for the benefit of the Chancery. Distributions from the funds are made in accordance with CFEM's spending policies. As of June 30, 2018 and 2017 the Chancery recorded its interest in CFEM as an asset totaling $2,525,654 and $2,198,701, respectively. In addition, the Chancery provide support to CFEM in the amounts of $100,000 and $100,000 for the fiscal years ended June 30, 2018 and 2017, respectively.

Other - The Bishop is a board member of Catholic Social Services of Montana and Montana Catholic Conference. The Chancery supported operations of the Catholic Social Services of Montana in the amount of $59,000 and $59,000 for the fiscal years ended June 30, 2018 and 2017, and supported the operations of the Montana Catholic Conference in the amount of $75,000 and $75,000 for fiscal years ended June 30, 2018 and 2017, respectively.

NOTE 13: COMMITMENTS AND CONTINGENCIES:

The Chancery is a defendant in several pending or threatened lawsuits. In the opinion of management, the defense of all litigation is covered by insurance.

NOTE 14: ENDOWMENT:

The Chancery's endowment consists of cemetery perpetual care funds established for the on-going upkeep of diocesan cemeteries, the seminary burse fund established for the development and education of priests, and permanently restricted funds held by the Catholic Foundation of Eastern Montana. The endowment assets include donor-restricted endowment funds. 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 Chancery 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 Chancery 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 Chancery in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Chancery 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 Chancery 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 Chancery

(7) The investment policies of the Chancery

Endowment Spending Policy

It is the goal of the Chancery to provide annual distributions to support the programs it has identified within its mission. The Chancery has taken into consideration the impact cash withdrawals play upon the volatility of a portfolio over time.

Endowment Investment Policy

Investment Objective - The obligations of the Chancery 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, preservations 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 Chancery 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 Chancery 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 Chancery 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).

The Chancery's endowment funds are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2016	$ 64,830	$ 218,252	$ 3,629,587	$ 3,912,669
Contributions	-	-	12,240	12,240
Change in Beneficial Interest in CFEM	(432)	7,742	327,665	334,975
Balance, June 30, 2017	64,398	225,994	3,969,492	4,259,884
Contributions	-	-	18,564	18,564
Change in Beneficial Interest in CFEM	6,790	229,301	155,465	391,556
Balance, June 30, 2018	**$ 71,188**	**$ 455,295**	**$ 4,143,521**	**$ 4,670,004**

NOTE 15: FUNCTIONAL EXPENSES:

The Chancery's expenses by function for the years ended June 30, 2018 and 2017 were as follows:

	6/30/18	6/30/17
Programs:		
Bishop	$ 305,955	$ 299,928
Chancery	986,488	735,670
Moderator of the Curia	196,316	136,553
Ministries	58,969	73,066
Stewardship	105,089	108,131
Tribunal	73,438	71,904
Schools	1,467,651	1,618,121
Priests	(1,075,771)	(871,424)
Cemeteries	572,115	572,742
Chancellor	88,517	91,232
Parishes	-	667,410
Youth and Young Adult Ministry	39,326	59,102
	2,818,093	3,562,435
Supporting Services:		
Business Office	306,347	367,330
Human Resources	111,280	85,833
Properties	731,091	505,029
Settlement	4,500,000	-
	5,648,718	958,192
Total	**$ 8,466,811**	**$ 4,520,627**

NOTE 16: SUBSEQUENT EVENTS:

The Chancery has evaluated subsequent events through April 12, 2019, the date the financial statements were available to be issued. On March 31, 2017, the Diocese of Great Falls-Billings filed for Chapter 11 bankruptcy in an effort to deal with two lawsuits. In May 2018, following multiple mediation efforts, the Diocese, the insurance company, and claimants successfully negotiated a resolution of the lawsuits and ultimately the filing of the Chapter 11 bankruptcy plan, which was formally approved by the court in August 2018. In accordance with the approved bankruptcy plan, the settlement amount provided by the Diocese of $12,000,000 was paid by the Diocese and various parishes and other Catholic institutions. The Chancery paid $4,500,000 of the settlement which included $500,000 to a future claims fund. The total net settlement of $4,500,000 as accrued at June 30, 2018 and reported as Settlement Payable on the Statement of Financial Position and as Settlement Expenses on the Statement of Activities.