

**THE FOUNDATION FOR THE
DIOCESE OF HELENA, INC.**

FINANCIAL REPORT

June 30, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Foundation for the Diocese of Helena, Inc.
Helena, Montana 59601

We have audited the accompanying statements of financial position of the Foundation for the Diocese of Helena, Inc. (the Foundation) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2009 and 2008, and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying information shown on page 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Anderson Zurmuehlen & Co., P.C.

Helena, Montana
November 17, 2009

FINANCIAL STATEMENTS

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 STATEMENTS OF FINANCIAL POSITION
 June 30, 2009 and 2008

ASSETS	<u>2009</u>	<u>2008</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,272,064	\$ 500,379
Net pledges receivable, current	2,085,704	615,355
Bequest receivable	68,159	2,172
Interest receivable	20,792	18,005
Due from current fund - Roman Catholic Bishop (RCB)	193,788	-
Loan receivable - RCB, current	82,362	77,193
Notes receivable, current	20,533	248,281
Investments	<u>8,187,860</u>	<u>5,147,603</u>
Total current assets	<u>11,931,262</u>	<u>6,608,988</u>
FIXED ASSETS		
Furnishings and equipment, net	<u>18,964</u>	<u>-</u>
OTHER RECEIVABLES		
Loan receivable - RCB, net of current portion	1,156,634	1,238,995
Pledges receivable, net of discount and current portion	4,608,335	1,342,073
Notes receivable, net of current portion	<u>166,496</u>	<u>187,030</u>
Total other receivables	<u>5,931,465</u>	<u>2,768,098</u>
OTHER ASSETS		
Annuities held by RCB	2,222,633	2,054,939
Beneficial interest in charitable remainder trusts	<u>979,037</u>	<u>1,328,332</u>
Total other assets	<u>3,201,670</u>	<u>3,383,271</u>
Total assets	<u>\$ 21,083,361</u>	<u>\$ 12,760,357</u>

The Notes to the Financial Statements are an integral part of these statements.

LIABILITIES AND NET ASSETS	<u>2009</u>	<u>2008</u>
CURRENT LIABILITIES		
Accounts payable	\$ 94,633	\$ 16,756
Accrued liabilities	676	466
Compensated absences	2,942	1,698
Unconditional promise to give, current	-	120,424
Due to current fund - Roman Catholic Bishop	-	91,304
Total current liabilities	<u>98,251</u>	<u>230,648</u>
UNCONDITIONAL PROMISE TO GIVE, LONG-TERM		
Total liabilities	<u>98,251</u>	<u>230,648</u>
NET ASSETS		
Unrestricted:		
Designated	-	342,283
Undesignated	<u>137,017</u>	<u>(220,617)</u>
Total unrestricted	137,017	121,666
Temporarily restricted	7,005,061	3,285,181
Permanently restricted	<u>13,843,032</u>	<u>9,122,862</u>
Total net assets	<u>20,985,110</u>	<u>12,529,709</u>
Total liabilities and net assets	<u>\$ 21,083,361</u>	<u>\$ 12,760,357</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2009 and 2008

	June 30, 2009			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains, and other support:				
Contributions	\$ 76,342	\$ 22,481	\$ 5,183,220	\$ 5,282,043
Capital campaign	-	7,218,141	-	7,218,141
Gifts assessment and administrative fee	82,449	-	-	82,449
Interest and dividends	9,863	309,861	-	319,724
Net realized and unrealized gains (losses) on investments	(87,897)	(554,021)	(281,449)	(923,367)
Change in value of annuities held by RCB	-	-	167,694	167,694
Change in value of split interest agreements	-	-	(349,295)	(349,295)
Net assets released from restrictions	<u>3,276,582</u>	<u>(3,276,582)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>3,357,339</u>	<u>3,719,880</u>	<u>4,720,170</u>	<u>11,797,389</u>
Expenses				
Program:				
Disbursement to participating parish and diocesan funds	298,118	-	-	298,118
Disbursement to participating parish and diocesan funds in capital campaign	2,850,794	-	-	2,850,794
Released to parish building endowments and scholarships	1,000	-	-	1,000
Life insurance expense	3,638	-	-	3,638
Grants	25,000	-	-	25,000
Program operations	79,729	-	-	79,729
Fund raising	9,195	-	-	9,195
Management and general:				
Operations	46,665	-	-	46,665
Life insurance expense	5,760	-	-	5,760
Trustee and administrative fees	22,089	-	-	22,089
Total expenses and losses	<u>3,341,988</u>	<u>-</u>	<u>-</u>	<u>3,341,988</u>
Change in net assets	<u>15,351</u>	<u>3,719,880</u>	<u>4,720,170</u>	<u>8,455,401</u>
Net assets, beginning of year	121,666	3,285,181	9,122,862	12,529,709
Net asset reclassification based on change in law	-	-	-	-
Net assets, beginning of year as reclassified	<u>121,666</u>	<u>3,285,181</u>	<u>9,122,862</u>	<u>12,529,709</u>
Net assets, end of year	<u>\$ 137,017</u>	<u>\$ 7,005,061</u>	<u>\$ 13,843,032</u>	<u>\$ 20,985,110</u>

The Notes to the Financial Statements are an integral part of these statements.

June 30, 2008			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 62,187	\$ 19,972	\$ 161,612	\$ 243,771
-	2,436,362	-	2,436,362
11,069	-	-	11,069
15,027	279,764	-	294,791
183,715	(520,931)	(217,543)	(554,759)
-	-	383,354	383,354
-	-	(192,749)	(192,749)
<u>266,494</u>	<u>(266,494)</u>	<u>-</u>	<u>-</u>
<u>538,492</u>	<u>1,948,673</u>	<u>134,674</u>	<u>2,621,839</u>
294,791	-	-	294,791
-	-	-	-
1,000	-	-	1,000
11,620	-	-	11,620
25,000	-	-	25,000
68,386	-	-	68,386
8,370	-	-	8,370
40,674	-	-	40,674
5,760	-	-	5,760
<u>23,410</u>	<u>-</u>	<u>-</u>	<u>23,410</u>
<u>479,011</u>	<u>-</u>	<u>-</u>	<u>479,011</u>
<u>59,481</u>	<u>1,948,673</u>	<u>134,674</u>	<u>2,142,828</u>
62,185	1,338,780	8,985,916	10,386,881
-	(2,272)	2,272	-
<u>62,185</u>	<u>1,336,508</u>	<u>8,988,188</u>	<u>10,386,881</u>
<u>\$ 121,666</u>	<u>\$ 3,285,181</u>	<u>\$ 9,122,862</u>	<u>\$ 12,529,709</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 8,455,401	\$ 2,142,828
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Investment securities donated to the Foundation	(56,966)	(43,236)
Net loss on investments	923,367	554,759
Depreciation	1,724	-
Net change in annuities held by the RCB	(167,694)	(383,354)
Permanently restricted contributions	(5,183,220)	(183,844)
(Increase) decrease in operating assets:		
Accounts and interest receivable	(68,774)	3,617
Pledges receivable, net	(4,736,611)	(1,957,428)
Prepaid assets	-	1,568
Beneficial interest in charitable remainder trusts	349,295	192,749
Increase (decrease) in operating liabilities:		
Accounts payable	77,877	3,092
Unconditional promise to give	(120,424)	(133,226)
Accrued liabilities	210	(3,196)
Due to related party	(285,092)	(48,585)
Compensated absences	1,244	(241)
Net cash provided by (used in) operating activities	<u>(809,663)</u>	<u>145,503</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(4,429,065)	(1,664,256)
Proceeds from the sale of investments	522,407	1,187,319
Purchase of fixed assets	(20,688)	-
Payments received on notes receivable	248,282	94,884
Payments received on loan to related party (RCB)	77,192	72,346
Net cash used in investing activities	<u>(3,601,872)</u>	<u>(309,707)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions	<u>5,183,220</u>	<u>183,844</u>
Net cash provided by financing activities	<u>5,183,220</u>	<u>183,844</u>
Net increase in cash and cash equivalents	771,685	19,640
Cash and cash equivalents, beginning of year	<u>500,379</u>	<u>480,739</u>
Cash and cash equivalents, end of year	<u>\$ 1,272,064</u>	<u>\$ 500,379</u>
NONCASH CONTRIBUTIONS:		
Investment securities donated to the Foundation	<u>\$ 56,966</u>	<u>\$ 43,236</u>

The Notes to Financial Statements are an integral part of these statements.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Foundation for the Diocese of Helena, Inc. (the Foundation) is a non-profit corporation. The primary purpose of the Foundation is to create permanent endowments whose income will be used to fulfill the following goals:

- a) To promote, expand and strengthen the Roman Catholic Church in the Diocese of Helena,
- b) To support and assist, financially or in any other manner the religious, educational, charitable and medical institutions or programs operated by or under the auspices of the Diocese of Helena,
- c) To promote Roman Catholic doctrines, evangelism, Christian education and missionary work in the Diocese of Helena, and that are undertaken by said Diocese elsewhere, and
- d) To assist worthy, talented or needy men and women in pursuing studies useful to the Diocese of Helena.

A Board of Trustees 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 in conformity with accounting principles generally accepted in the United States of America.

To ensure observance of limitations and restrictions placed on the use of resources available to the Foundation, the accounts of the Foundation are maintained in accordance with the principles of fund accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purposes. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into net asset classifications. Accordingly, all financial transactions have been recorded and reported by net asset classifications.

Restricted and Unrestricted Revenue and Support:

Support received is recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The classifications of net assets are:

- **Unrestricted Net Assets:**
Funds which the Board of Trustees, rather than a donor or other outside agency, has determined are to be retained and invested. The Board has the right to decide at any time to expend the principal of such funds. The original funds were transferred from the Roman Catholic Bishop (RCB) of Helena, Montana based upon the recommendation of the Foundation's Board and the Bishop.
- **Temporarily Restricted Net Assets:**
This represents interest earned on parish and program endowments whose principal was less than \$5,000 as of June 30, 2009 and 2008. Once a parish or program has endowments greater than the established threshold, earnings are paid out quarterly. Unless specifically permanently restricted, gains on endowments are included as temporarily restricted funds. Net assets released from the temporarily restricted fund were for payments to parishes and programs as appropriated by the board.
- **Permanently Restricted Net Assets:**
These are funds in which the principal, including gains and losses if stipulated by the donor, are required to be invested and maintained intact and in perpetuity. The income from permanently restricted net assets is to be returned to various parishes and programs for use as described above.

Accounting Estimates:

The preparation of financial statements in conformity with U.S. generally accepted accounting principles above requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period.

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Foundation considers all checking, savings and money market accounts with maturities of six months or less to be cash equivalents. At June 30, 2009 and 2008, there was \$1,260,810 and \$390,238 held by the Foundation at financial institutions exceeding federally insured limits, respectively.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments:

The investment securities and trusts are shown at fair value. The investment securities are held in a "pooled" investment account. Each fund owns or participates in the pool based on the number of "units" purchased. The trust's assets, which consist of marketable securities, are held by investment brokerage firms.

Investment income is collected in a single pool and disbursed at quarterly intervals to the participating funds. The allocation to the participating funds is based on the number of units held by each fund at the beginning of the quarter.

Trustee and administrative fees are paid from the principal.

An administrative fee of 1.5% (\$128,165 in 2009 and \$110,434 in 2008) of fair market value was assessed to all participants in the investment pool to fund Foundation operations.

Property and Equipment:

Property and equipment purchased by the Foundation is recorded at historical cost. Donated property is recorded at the estimated fair value on the date of donation. Depreciation expense is computed for fixed assets using the straight-line method over the following useful lives:

Software	3 years
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The Foundation capitalizes all purchases of fixed assets in excess of \$1,000 and have an estimated useful life longer than one year.

Annuities Held by RCB:

Annuities held by RCB 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.

Promises to Give:

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Income Taxes:

The Foundation for the Diocese of Helena, Inc. is exempt from federal income taxation under the provisions of Internal Revenue Code Section 501(c)(3). A group ruling on this status was received from the Internal Revenue Service in both 2009 and 2008.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (continued):

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48), an Interpretation of FASB Statement No. 109. FIN 48 addresses the accounting for uncertainties in income taxes recognized in an entity's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. FASB has deferred until fiscal years beginning after December 15, 2008, the effective date of FIN 48 for nonpublic entities by issuing FASB Staff Position 48-3. The determination of tax exempt status is considered to be a tax position taken with respect to the provisions of FIN 48.

The Foundation's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence. It is the opinion of management that the Foundation has no uncertain tax positions.

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 the years ended June 30, 2009 and 2008.

Designated Net Assets:

The Foundation's Board of Directors has designated a portion of the unrestricted net assets to be used only for the Bishop's pastoral outreach. Designated unrestricted net assets were \$-0- and \$342,283 at June 30, 2009 and 2008, respectively. As of June 2009, the board released all designations.

Subsequent Events:

Management has evaluated subsequent events through November 17, 2009, the date which the financial statements were available for issue.

NOTE 3. NOTES RECEIVABLE

As part of an endowed planned gift, the Foundation received ownership interest in two apartment complexes. The Foundation's interests have been purchased by partners in the apartment complexes, therefore two notes receivable have been recorded. Notes receivable at June 30 consist of the following:

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2009 and 2008

NOTE 3. NOTES RECEIVABLE (CONTINUED)

	<u>2009</u>	<u>2008</u>
Helena Springs note receivable, payments receivable in monthly installments of \$2,600, with interest at 6%, due January 1, 2017, collateralized by security interest	\$ 187,029	\$ 206,369
Cannon Springs note receivable, initial payment of \$34,854, due May 1, 2007; monthly interest payments receivable at 2.5% on unpaid balance, principal due December 1, 2008.	-	228,942
	<u>187,029</u>	<u>435,311</u>
Less current portion	<u>20,533</u>	<u>248,281</u>
Long term portion	<u>\$ 166,496</u>	<u>\$ 187,030</u>

Maturity of note receivable is as follows:

2010	\$ 20,533
2011	21,800
2012	23,122
2013	24,482
2014	97,092
	<u>\$ 187,029</u>

NOTE 4. INVESTMENTS

Investments include the following:

	<u>2009</u>		<u>2008</u>	
	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>
Wells Fargo Investment Management:				
Stocks	\$ 1,390,311	\$ 1,413,897	\$ 2,343,819	\$ 2,859,100
Bonds	<u>3,481,235</u>	<u>3,463,340</u>	<u>956,521</u>	<u>983,944</u>
	<u>4,871,546</u>	<u>4,877,237</u>	<u>3,300,340</u>	<u>3,843,044</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2009 and 2008

NOTE 4. INVESTMENTS (CONTINUED)

	<u>2009</u>		<u>2008</u>	
	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>
Financial Network Investment:				
Stocks	2,069,481	1,874,426	950,316	951,690
Bonds	1,374,276	1,353,611	244,410	223,837
Cash surrender value of life insurance policies	63,785	82,586	63,785	129,032
	<u>3,507,542</u>	<u>3,310,623</u>	<u>1,258,511</u>	<u>1,304,559</u>
	<u>\$ 8,379,088</u>	<u>\$ 8,187,860</u>	<u>\$ 4,558,851</u>	<u>\$ 5,147,603</u>

The following tabulation summarizes changes in relationships between carrying values and fair values of investment assets:

	<u>COST</u>	<u>FAIR VALUE</u>	<u>UNREALIZED GAIN (LOSS)</u>
June 30, 2009	\$ 8,379,088	\$ 8,187,860	\$ (191,229)
June 30, 2008	\$ 4,558,851	\$ 5,147,603	\$ 588,752
Unrealized net loss for fiscal year 2009			<u>\$ (779,981)</u>
June 30, 2008	\$ 4,558,851	\$ 5,147,603	\$ 588,752
June 30, 2007	\$ 3,865,325	\$ 5,182,189	\$ 1,316,864
Unrealized net loss for fiscal year 2008			<u>\$ (728,112)</u>

Investment earnings (losses) consist of the following:

	<u>2009</u>	<u>2008</u>
Net realized gains (losses)	\$ (143,386)	\$ 173,353
Net unrealized losses	<u>(779,981)</u>	<u>(728,112)</u>
Net realized and unrealized losses	<u>(923,367)</u>	<u>(554,759)</u>
Interest and dividends	<u>319,724</u>	<u>294,791</u>
	<u>\$ (603,664)</u>	<u>\$ (259,968)</u>

Investments with an unrealized loss position at June 30, 2009 and 2008 are as follows:

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2009 and 2008

NOTE 4. INVESTMENTS (CONTINUED)

	<u>Less than 12 months</u>		<u>12 months or more</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>	<u>Unrealized Losses</u>
2009:						
Description of securities:						
Stocks	\$ 1,403,582	\$ (350,773)	\$ 718,913	\$ (383,444)	\$ 2,122,495	\$ (734,217)
Bonds:						
Corporate	-	-	207,791	(61,624)	207,791	(61,624)
Federal Agency	220,373	(2,084)	-	-	220,373	(2,084)
	<u>\$ 1,623,955</u>	<u>\$ (352,857)</u>	<u>\$ 926,704</u>	<u>\$ (445,068)</u>	<u>\$ 2,550,659</u>	<u>\$ (797,925)</u>
2008:						
Description of securities:						
Stocks	\$ 1,086,416	\$ (242,087)	\$ 23,235	\$ (13,611)	\$ 1,109,651	\$ (255,698)
Bonds:						
Corporate	318,803	(23,512)	70,835	(5,123)	389,638	(28,635)
	<u>\$ 1,405,219</u>	<u>\$ (265,599)</u>	<u>\$ 94,070</u>	<u>\$ (18,734)</u>	<u>\$ 1,499,289</u>	<u>\$ (284,333)</u>

The preceding table shows the Foundation's gross unrealized losses and fair values, aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position at June 30, 2009 and 2008. Thirty-five and ten securities were in an unrealized loss position as of June 30, 2009 and 2008, respectively. Management has evaluated these securities and believes the loss position to be temporary as a result of the current market environment and not from any particular credit quality of any of the specific securities.

The Foundation is the beneficiary of four donated life insurance policies. The cash surrender value of the policies is shown as an asset of the Foundation. For two policy, the individual donates the premium amount to the Foundation each year and the Foundation then pays the premium. The donation is shown as a contribution and the premium is shown as life insurance expense. For the other policies, the premiums were prepaid at the time of the gift.

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.

	<u>2009</u>	<u>2008</u>
Cash Surrender Value:		
Donated life insurance policies		
(Face value \$225,000)	\$ 46,443	\$ 83,835
Bishop Elden F. Curtiss		
(Face value \$100,000)	14,289	19,672
Bishop Alexander J. Brunett		
(Face value \$200,000)	<u>21,854</u>	<u>25,545</u>
	<u>\$ 82,586</u>	<u>\$ 129,032</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2009 and 2008

NOTE 5. BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

Beneficial interest in charitable remainder trusts consist of the following at June 30:

	<u>2009</u>	<u>2008</u>
Margaret Quinn Unitrust	<u>\$ 979,037</u>	<u>\$ 1,328,332</u>

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 6. PLEDGES RECEIVABLE

Unconditional promises to give at June 30 are as follows:

	<u>2009</u>	<u>2008</u>
Receivable in less than one year	\$ 2,085,704	\$ 615,355
Receivable in one to five years	5,837,411	1,715,591
Receivable in more than five years	<u>12,740</u>	<u>7,217</u>
Total unconditional promises to give	7,935,855	2,338,163
Less discounts to net present value	(810,148)	(255,793)
Less allowance for uncollectible promises receivable	<u>(431,668)</u>	<u>(124,942)</u>
Net unconditional promises to give	<u>\$ 6,694,039</u>	<u>\$ 1,957,428</u>

Promises to give receivable in more than one year are discounted at 5%.

NOTE 7. RELATED PARTY TRANSACTIONS

Receivable/payable:

The following tables summarize related party receivables, payables, and operational transactions between the Foundation and RCB.

	<u>2009</u>	<u>2008</u>
Due from/(to) RCB	<u>\$ 193,788</u>	<u>\$ (91,304)</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2009 and 2008

NOTE 7. RELATED PARTY TRANSACTIONS (CONTINUED)

These are amounts related to endowments and earnings where the Foundation or the RCB were beneficiary.

Development Director for the RCB

In January 2006, the Foundation pledged a grant of \$450,000 to RCB to establish an Office of Development. The grant is payable as \$175,000 in the first year, \$150,000 in the second year, and \$125,000 in the third year. The following is the future amounts due to meet their obligation, as of June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Due in less than one year	\$ -	\$ 125,000
Discount @ 5.6%	-	(4,576)
	<u>\$ -</u>	<u>\$ 120,424</u>

Loan Receivable:

The Foundation loaned operating cash to the RCB. The terms required interest only monthly payments of \$7,615 from April 2005 through March 2007, at which time, monthly principal and interest payments of \$13,372 are due on the 18th of the month. Interest is charged at 6.5% and the loan matures April 18, 2020. The principal amounts remaining are \$1,238,996 and \$1,316,188, at June 30, 2009 and 2008, respectively.

Maturity of the loan receivable is as follows:

2010	\$ 82,362
2011	87,878
2012	93,764
2013	100,043
2014	106,969
Thereafter	767,980
	<u>\$ 1,238,996</u>

Other Fees:

Administrative and accounting fees paid to the RCB are based on agreements. The rent is negotiated each year. Amounts paid for fiscal 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Administrative and accounting fees	<u>\$ 2,000</u>	<u>\$ 8,000</u>
Rent	<u>\$ 3,950</u>	<u>\$ 3,950</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2009 and 2008

NOTE 8. RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2009</u>	<u>2008</u>
Parish	\$ 89,703	\$ 225,245
Program	131,954	645,806
Capital campaign	<u>6,783,404</u>	<u>2,414,130</u>
	<u>\$ 7,005,061</u>	<u>\$ 3,285,181</u>

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

	<u>2009</u>	<u>2008</u>
Parish	\$ 1,529,491	\$ 1,508,621
Program	9,111,871	4,230,970
Beneficial interest in annuities	2,222,633	2,054,939
Beneficial interest in trusts	<u>979,037</u>	<u>1,328,332</u>
	<u>\$ 13,843,032</u>	<u>\$ 9,122,862</u>

NOTE 9. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the expiration time.

	<u>2009</u>	<u>2008</u>
Purpose restrictions accomplished:		
Earnings distribution:		
Parish	\$ 44,882	\$ 123,068
Program	379,906	142,426
Released to capital campaign recipients	2,850,794	-
Released to building endowment and scholarship	<u>1,000</u>	<u>1,000</u>
	<u>\$ 3,276,582</u>	<u>\$ 266,494</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

NOTE 10. GAIN CONTINGENCIES

The Foundation has been named as beneficiary in numerous wills. The fair value of such wills could not be determined with certainty and, therefore, management does not make any assertion to their value or realization. As such, the Foundation's share of such wills is not included in the accompanying financial statements.

NOTE 11. ENDOWMENT NET ASSETS

The Foundation's endowment consists of one fund managed by the Foundation. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Foundation Board has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by MUPMIFA.

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.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2009 and 2008

NOTE 11. ENDOWMENT NET ASSETS (CONTINUED)

Changes in net asset composition by type of fund for the years ended June 30, 2009 and 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, July 1, 2007	\$ -	\$ 1,136,063	\$ 8,985,916	\$ 10,121,979
Net asset reclassification based on change in law	<u>-</u>	<u>(2,272)</u>	<u>2,272</u>	<u>-</u>
Endowment net assets after reclassification	<u>-</u>	<u>1,133,791</u>	<u>8,988,188</u>	<u>10,121,979</u>
Investment return:				
Investment income	-	272,319	-	272,319
Net depreciation	<u>-</u>	<u>(500,215)</u>	<u>(217,543)</u>	<u>(717,758)</u>
Total investment return	<u>-</u>	<u>(227,896)</u>	<u>(217,543)</u>	<u>(445,439)</u>
Contributions	-	-	161,612	161,612
Change in value of split interest agreements and annuities	-	-	190,605	190,605
Appropriation for expenditure	<u>-</u>	<u>(228,548)</u>	<u>-</u>	<u>(228,548)</u>
Endowment net assets, June 30, 2008	<u>-</u>	<u>677,347</u>	<u>9,122,862</u>	<u>9,800,209</u>
Investment return:				
Investment income	-	317,733	-	317,733
Net depreciation	<u>-</u>	<u>(522,690)</u>	<u>(281,449)</u>	<u>(804,139)</u>
Total investment return	<u>-</u>	<u>(204,957)</u>	<u>(281,449)</u>	<u>(486,406)</u>
Contributions	-	-	5,183,220	5,183,220
Change in value of split interest agreements and annuities	-	-	(181,601)	(181,601)
Appropriation for expenditure	<u>-</u>	<u>(390,400)</u>	<u>-</u>	<u>(390,400)</u>
Endowment net assets, June 30, 2009	<u>\$ -</u>	<u>\$ 81,990</u>	<u>\$13,843,032</u>	<u>\$ 13,925,022</u>

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 the donor or MUPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2009 and 2008.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2009 and 2008

NOTE 11. ENDOWMENT NET ASSETS (CONTINUED)

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 a donor-specified period(s). The general investment objective is to provide a reasonable current rate of return as well as the potential for long-term growth of income to maintain the purchasing power of the fund over the longer term. The Foundation expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Trustees and to grow equity assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are to be invested in stock and/or bond funds and/or certificates of deposit, augmented by bank and mutual savings bank accounts for short-term holdings. All investments must be in conformity with the socially-responsible tenets of the mission philosophy of the Roman Catholic Church.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation has a policy of appropriating for distribution each year 4.5% of the principal for that year.

NOTE 12. FAIR VALUE MEASUREMENT

Effective July 1, 2007, the Foundation adopted a new accounting pronouncement for measuring fair value under U.S. generally accepted accounting principles. This pronouncement defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels:

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2009 and 2008

NOTE 12. FAIR VALUE MEASUREMENT (CONTINUED)

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Fair values of assets and liabilities measured on a recurring basis at June 30, 2009, are as follows:

	Fair Value	Quoted prices in active markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Pledges receivable	\$ 6,694,039	\$ -	\$ -	\$ 6,694,039
Beneficial interest in CRT	979,037	979,037		
Stocks	1,413,897	1,413,897	-	-
Bonds	3,463,340	-	3,463,340	-
Mutual funds	3,228,037	3,228,037	-	-
Life insurance	82,586	-	82,586	-
Total	<u>\$ 15,860,936</u>	<u>\$ 5,620,971</u>	<u>\$ 3,545,926</u>	<u>\$ 6,694,039</u>

Following is a reconciliation of beginning and ending values for Level 3 items:

	<u>Pledges Receivable</u>
Fair value at July 1, 2008	\$ 1,957,428
Contributions received	7,938,588
Payments and distributions	(1,960,161)
Adjustments	<u>(1,241,816)</u>
Fair value, at June 30, 2009	<u>\$ 6,694,039</u>

ACCOMPANYING INFORMATION

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
 Years Ended June 30, 2009 and 2008

	Program		Fund Raising		Management and General		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
Salaries	\$ 51,560	\$ 36,628	\$ 4,181	\$ 2,970	\$ 27,868	\$ 19,797	\$ 83,609	\$ 59,395
Benefits	15,138	11,067	1,227	897	8,183	5,982	24,548	17,946
Meals and lodging	-	-	1,414	649	-	-	1,414	649
Automobile allotment	-	-	570	2,609	-	-	570	2,609
Commercial transportation	-	-	589	-	-	-	589	-
Registration fees	1,364	1,895	-	-	-	-	1,364	1,895
Professional and technical services	5,433	6,513	-	-	5,986	7,175	11,419	13,688
Postage	521	1,166	27	61	274	614	822	1,841
Printing	332	6,559	17	345	175	3,451	524	10,355
Telephone	895	732	-	-	448	367	1,343	1,099
Rent	2,449	2,449	198	198	1,303	1,303	3,950	3,950
Office supplies	130	806	-	-	66	405	196	1,211
Other supplies and materials	653	409	-	-	334	209	987	618
Special functions	-	-	546	641	-	-	546	641
Advertising	-	-	340	-	-	-	340	-
Dues and subscriptions	191	162	-	-	-	-	191	162
Advisory board meeting	-	-	-	-	1,453	1,371	1,453	1,371
Depreciation expense	1,063	-	86	-	575	-	1,724	-
Grants	25,000	25,000	-	-	-	-	25,000	25,000
Disbursement to participating funds	298,118	294,791	-	-	-	-	298,118	294,791
Disbursement to participating funds of capital campaign	2,850,794	-	-	-	-	-	2,850,794	-
Released to building endowment and scholarships	1,000	1,000	-	-	-	-	1,000	1,000
Life insurance	3,638	11,620	-	-	5,760	5,760	9,398	17,380
Trustee and administrative fees	-	-	-	-	22,089	23,410	22,089	23,410
Total expenses	\$ 3,258,279	\$ 4,007,797	\$ 9,195	\$ 8,370	\$ 74,514	\$ 69,844	\$ 3,341,988	\$ 479,011

The primary purpose of the Foundation is to create permanent endowments whose income will benefit the Diocese, programs and parishes. The Foundation only classifies direct solicitation and/or donor contract expenses as fundraising.

See Independent Auditor's Report.