

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

FINANCIAL REPORT

June 30, 2012 and 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of the Foundation for the Diocese of Helena, Inc. (the Foundation) as of June 30, 2012 and 2011, 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, 2012 and 2011, 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 25 is presented for purposes of additional analysis and is not a required part of the basic 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.



Helena, Montana
September 27, 2012

FINANCIAL STATEMENTS

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS	<u>2012</u>	Restated <u>2011</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 627,277	\$ 695,403
Net pledges receivable, current	822,708	1,735,041
Bequest receivable	783	783
Interest receivable	34,355	23,534
Due from current fund - Roman Catholic Bishop (RCB)	-	1,339
Loan receivable - RCB, current	100,043	593,764
Notes receivable, current	24,482	23,122
Investments	<u>15,549,076</u>	<u>13,813,605</u>
Total current assets	<u>17,158,724</u>	<u>16,886,591</u>
FIXED ASSETS		
Furnishings and equipment, net	<u>7,703</u>	<u>16,727</u>
OTHER RECEIVABLES		
Loan receivable - RCB, net of current portion	875,139	975,182
Pledges receivable, net of discount and current portion	751,663	1,464,766
Notes receivable, net of current portion	<u>97,092</u>	<u>121,574</u>
Total other receivables	<u>1,723,894</u>	<u>2,561,522</u>
OTHER ASSETS		
Annuities held by RCB	1,766,628	1,725,324
Beneficial interest in charitable remainder trusts	<u>978,967</u>	<u>1,058,132</u>
Total other assets	<u>2,745,595</u>	<u>2,783,456</u>
 Total assets	 <u>\$ 21,635,916</u>	 <u>\$ 22,248,296</u>

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

LIABILITIES AND NET ASSETS	<u>2012</u>	Restated <u>2011</u>
CURRENT LIABILITIES		
Accounts payable	\$ 6,613	\$ 3,941
Accrued liabilities	15,315	879
Earnings distributions payable	236,205	312,277
Due to current fund - Roman Catholic Bishop (RCB)	113,554	-
Compensated absences	<u>4,354</u>	<u>3,296</u>
Total current liabilities	<u>376,041</u>	<u>320,393</u>
Total liabilities	<u>376,041</u>	<u>320,393</u>
NET ASSETS		
Unrestricted	440,460	368,856
Temporarily restricted	3,223,767	4,963,982
Permanently restricted	<u>17,595,648</u>	<u>16,595,065</u>
Total net assets	<u>21,259,875</u>	<u>21,927,903</u>
Total liabilities and net assets	<u>\$ 21,635,916</u>	<u>\$ 22,248,296</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2012 and 2011

	June 30, 2012			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, gains, and other support:				
Contributions	\$ 13,139	\$ -	\$ 1,087,901	\$ 1,101,040
Capital campaign	-	(125,814)	-	(125,814)
Gifts assessment and administrative fee	30,880	-	-	30,880
Interest and dividends	4,681	433,342	-	438,023
Net realized and unrealized gains (losses) on investments	6,441	96,178	(19,413)	83,206
Transfer of management of endowed assets	-	30,044	(30,044)	-
Change in value of annuities held by RCB	-	-	41,303	41,303
Change in value of split interest agreements	-	-	(79,164)	(79,164)
Net assets released from restrictions	<u>2,173,965</u>	<u>(2,173,965)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,229,106</u>	<u>(1,740,215)</u>	<u>1,000,583</u>	<u>1,489,474</u>
Expenses				
Program:				
Disbursement to participating parish and diocesan funds	493,240	-	-	493,240
Disbursement to participating parish and diocesan funds in capital campaign	1,337,015	-	-	1,337,015
Released to parish building endowments and scholarships	1,000	-	-	1,000
Transfer of management of endowed assets	30,044	-	-	30,044
Life insurance	4,712	-	-	4,712
Grants	26,179	-	-	26,179
Program operations	106,664	-	-	106,664
Fund raising	14,054	-	-	14,054
Management and general:				
Operations	72,337	-	-	72,337
Life insurance	7,446	-	-	7,446
Trustee and administrative fees	64,811	-	-	64,811
Total expenses and losses	<u>2,157,502</u>	<u>-</u>	<u>-</u>	<u>2,157,502</u>
Increase (decrease) in net assets	71,604	(1,740,215)	1,000,583	(668,028)
Net assets, beginning of year	<u>368,856</u>	<u>4,963,982</u>	<u>16,595,065</u>	<u>21,927,903</u>
Net assets, end of year	<u>\$ 440,460</u>	<u>\$ 3,223,767</u>	<u>\$ 17,595,648</u>	<u>\$ 21,259,875</u>

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

Restated
June 30, 2011

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 9,815	\$ 2,084	\$ 1,198,939	\$ 1,210,838
-	48,822	-	48,822
37,674	-	-	37,674
4,089	407,776	-	411,865
54,763	1,729,499	233,300	2,017,562
-	-	-	-
-	-	165,248	165,248
-	-	19,766	19,766
<u>2,740,687</u>	<u>(2,740,687)</u>	<u>-</u>	<u>-</u>
<u>2,847,028</u>	<u>(552,506)</u>	<u>1,617,253</u>	<u>3,911,775</u>
349,071	-	-	349,071
2,092,874	-	-	2,092,874
1,000	-	-	1,000
-	-	-	-
4,713	-	-	4,713
14,265	-	-	14,265
89,550	-	-	89,550
13,263	-	-	13,263
57,383	-	-	57,383
7,447	-	-	7,447
<u>55,197</u>	<u>-</u>	<u>-</u>	<u>55,197</u>
<u>2,684,763</u>	<u>-</u>	<u>-</u>	<u>2,684,763</u>
162,265	(552,506)	1,617,253	1,227,012
<u>206,591</u>	<u>5,516,488</u>	<u>14,977,812</u>	<u>20,700,891</u>
<u>\$ 368,856</u>	<u>\$ 4,963,982</u>	<u>\$ 16,595,065</u>	<u>\$ 21,927,903</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	<u>2012</u>	Restated <u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ (668,028)	\$ 1,227,012
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Investment securities donated to the Foundation	(19,219)	(39,662)
Net gain on investments	(83,206)	(2,017,562)
Depreciation	9,024	6,896
Net change in annuities held by the RCB	(41,304)	(165,248)
Permanently restricted contributions	(1,087,901)	(1,198,939)
(Increase) decrease in operating assets and liabilities:		
Accounts and interest receivable	(10,821)	(5,437)
Due to/from related party	114,893	217,612
Pledges receivable, net	1,625,436	1,710,720
Beneficial interest in charitable remainder trusts	79,165	(19,766)
Accounts payable	2,672	8
Accrued liabilities	14,436	152
Earnings distributions payable	(76,072)	232,172
Compensated absences	1,058	1,178
Net cash used in operating activities	<u>(139,867)</u>	<u>(50,864)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(5,297,579)	(6,794,882)
Proceeds from the sale of investments	3,664,533	5,303,767
Purchase of fixed assets	-	(11,555)
Payments received on notes receivable	23,122	21,800
Payments (advances) on loan to related party (RCB)	500,000	(500,000)
Payments received on loan to related party (RCB)	93,764	87,878
Net cash used in investing activities	<u>(1,016,160)</u>	<u>(1,892,992)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Permanently restricted contributions	1,087,901	1,198,939
Net cash provided by financing activities	<u>1,087,901</u>	<u>1,198,939</u>
Net decrease in cash and cash equivalents	(68,126)	(744,917)
Cash and cash equivalents, beginning of year	<u>695,403</u>	<u>1,440,320</u>
Cash and cash equivalents, end of year	<u>\$ 627,277</u>	<u>\$ 695,403</u>
NONCASH CONTRIBUTIONS:		
Investment securities donated to the Foundation	<u>\$ 19,219</u>	<u>\$ 39,662</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, 2012 and 2011

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 accompanying financial statements of the Foundation are presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as codified by the Financial Accounting Standards Board.

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, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The classifications of net assets are:

➤ **Unrestricted Net Assets:**

Unrestricted net assets are net assets that are not subject to donor-imposed stipulations and donor restricted contributions whose restrictions are met in the same reporting period. 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 (also known as the Diocese of Helena) based upon the recommendation of the Foundation's Board and the Bishop.

➤ **Temporarily Restricted Net Assets:**

Temporarily restricted net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. Once the permanently restricted balance of the endowment is greater than the established threshold (currently \$5,000), earnings must be paid out quarterly or held as temporarily restricted funds. 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 GAAP 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. Actual results could differ from these estimates.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Foundation considers all checking, savings and money market accounts with original maturities of six months or less to be cash equivalents. The Foundation's non-interest bearing accounts are subject to unlimited coverage by the FDIC. From time to time, certain bank accounts that are subject to limited FDIC coverage exceeded their insured limits. At June 30, 2012 and 2011, there was \$96,341 and \$148,649 held by the Foundation at financial institutions exceeding federally insured limits, respectively.

Investments:

The Foundation carries investments at their fair values in the financial statements.

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 and make changes as they see fit, within the parameters of the investment policies of the Foundation.

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 balance of the pool 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% (\$243,404 in 2012 and \$227,355 in 2011) 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 that 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.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012 and 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations:

Concentrations of credit risk with respect to pledges receivable are minimal due to the large number of contributors comprising the Foundation's contributor base and their dispersion across different industries. The Foundation's contribution income is subject to the general economic conditions of western Montana.

Promises to Give:

Unconditional promises to give (pledges) are 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 2012 and 2011.

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, 2012 and 2011.

Retirement Plan:

The Foundation has a 403(b) retirement plan covering all employees who work at least 20 hours per week and have completed six months of service. Contributions to the Plan are 6% of eligible wages. Retirement contributions for the fiscal years ended June 30, 2012 and 2011 were \$4,724 and \$5,154, respectively.

Subsequent Events:

Management has evaluated subsequent events through September 27, 2012, the date which the financial statements were available for issue.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2012 and 2011

NOTE 2. NOTES RECEIVABLE

As part of an endowed planned gift, the Foundation received ownership interests in two apartment complexes. The Foundation's interests were purchased by partners in the apartment complexes in exchange for a note receivable. The note receivable at June 30 consists of the following:

	<u>2012</u>	<u>2011</u>
Helena Springs note receivable, due in monthly installments of \$2,600, with interest at 6%, due January 1, 2017, collateralized by security interest	\$ 121,574	\$ 144,696
Less current portion	<u>24,482</u>	<u>23,122</u>
Long term portion	<u>\$ 97,092</u>	<u>\$ 121,574</u>

Maturity of note receivable is as follows:

2013	\$	24,482
2014		25,958
2015		27,559
2016		29,259
2017		<u>14,316</u>
	\$	<u>121,574</u>

The Foundation's practice for evaluating the collectability of the current note receivable is based on a review of the outstanding balance, past payment history, and an assessment of the collectability of the balance due. The balance of the note would be written off only when management determines the note to be uncollectible. The collateral for this note would be sold to satisfy this note prior to it being written off.

NOTE 3. INVESTMENTS

Investments include the following:

	<u>2012</u>		<u>2011</u>	
	<u>COST</u>	<u>FAIR VALUE</u>	<u>COST</u>	<u>FAIR VALUE</u>
Stocks	\$ 8,808,870	\$ 10,168,630	\$ 8,102,345	\$ 9,712,080
Bonds	5,014,469	5,250,977	3,831,686	3,975,004
Cash surrender value of life insurance policies	<u>63,785</u>	<u>129,469</u>	<u>63,785</u>	<u>126,521</u>
	<u>\$ 13,887,124</u>	<u>\$ 15,549,076</u>	<u>\$ 11,997,816</u>	<u>\$ 13,813,605</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2012 and 2011

NOTE 3. INVESTMENTS (CONTINUED)

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, 2012	\$ 13,887,124	\$ 15,549,076	\$ 1,661,952
June 30, 2011	\$ 11,997,816	\$ 13,813,605	\$ 1,815,789
Net unrealized loss for fiscal year 2012			<u>\$ (153,837)</u>
June 30, 2011	\$ 11,997,816	\$ 13,813,605	\$ 1,815,789
June 30, 2010	\$ 9,812,798	\$ 10,265,267	\$ 452,469
Net unrealized gain for fiscal year 2011			<u>\$ 1,363,320</u>

Investment earnings (losses) consist of the following:

	<u>2012</u>	<u>2011</u>
Net realized gains (losses)	\$ 237,043	\$ 654,243
Net unrealized gains (losses)	<u>(153,837)</u>	<u>1,363,320</u>
Net realized and unrealized gains (losses)	<u>83,206</u>	<u>2,017,563</u>
Interest and dividends	<u>438,023</u>	<u>411,865</u>
	<u>\$ 521,229</u>	<u>\$ 2,429,428</u>

Investment fees of \$48,332 and \$44,728 have been netted in investment return for the years ended June 30, 2012 and 2011, respectively.

Investments with an unrealized loss position at June 30, 2012 and 2011 are as follows:

	<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>
2012:						
Description of securities:						
Stocks	\$ 1,105,791	\$ (105,857)	\$ 125,384	\$ (26,954)	\$ 1,231,175	\$ (132,811)
Bonds:						
Corporate	835,069	(5,647)	-	-	835,069	(5,647)
US Government	36,026	(695)	-	-	36,026	(695)
Federal Agency	88,612	(699)	-	-	88,612	(699)
Real Assets	<u>183,502</u>	<u>(11,498)</u>	<u>-</u>	<u>-</u>	<u>183,502</u>	<u>(11,498)</u>
	<u>\$ 2,248,998</u>	<u>\$ (124,396)</u>	<u>\$ 125,384</u>	<u>\$ (26,954)</u>	<u>\$ 2,374,384</u>	<u>\$ (151,350)</u>
2011:						
Description of securities:						
Stocks	\$ 133,740	\$ (18,599)	\$ 159,374	\$ (39,169)	\$ 293,114	\$ (57,768)
Bonds:						
Corporate	294,445	(3,612)	102,650	(14,326)	397,095	(17,938)
US Government	50,270	(252)	-	-	50,270	(252)
Federal Agency	<u>299,634</u>	<u>(1,538)</u>	<u>-</u>	<u>-</u>	<u>299,634</u>	<u>(1,538)</u>
	<u>\$ 778,088</u>	<u>\$ (24,001)</u>	<u>\$ 262,024</u>	<u>\$ (53,495)</u>	<u>\$ 1,040,113</u>	<u>\$ (77,496)</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2012 and 2011

NOTE 3. INVESTMENTS (CONTINUED)

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, 2012 and 2011. Sixteen and ten securities were in an unrealized loss position as of June 30, 2012 and 2011, 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 one 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 paid by the Foundation in 2012 and 2011.

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>2012</u>	<u>2011</u>
Cash Surrender Value:		
Life insurance policies, various donors (Face value \$225,000)	\$ 76,323	\$ 73,202
Bishop Elden F. Curtiss (Face value \$100,000)	15,002	17,111
Bishop Alexander J. Brunett (Face value \$200,000)	<u>38,144</u>	<u>36,208</u>
	<u>\$ 129,469</u>	<u>\$ 126,521</u>

NOTE 4. BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

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

	<u>2012</u>	<u>2011</u>
Margaret Quinn Unitrust	<u>\$ 978,967</u>	<u>\$ 1,058,132</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.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2012 and 2011

NOTE 5. PLEDGES RECEIVABLE

Unconditional promises to give at June 30 are as follows:

	<u>2012</u>	<u>2011</u>
Receivable in less than one year	\$ 822,708	\$ 1,735,041
Receivable in one to five years	932,569	1,863,575
Receivable in more than five years	<u>45</u>	<u>677</u>
Total unconditional promises to give	1,755,322	3,599,293
Less discounts to net present value	(80,459)	(195,243)
Less allowance for uncollectible promises receivable	<u>(100,492)</u>	<u>(204,243)</u>
Net unconditional promises to give	<u>\$ 1,574,371</u>	<u>\$ 3,199,807</u>

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

NOTE 6. RELATED PARTY TRANSACTIONS

Receivable/payable:

The following tables summarize related party receivables, payables, and operational transactions between the Foundation and RCB which includes capital campaign expenses paid by the RCB for the capital campaign.

	<u>2012</u>	Restated <u>2011</u>
Due from (to) RCB	\$ <u>(113,554)</u>	\$ <u>1,339</u>

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

Loans 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, after 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 \$975,182 and \$1,068,946, at June 30, 2012 and 2011, respectively.

The Foundation made a short-term loan of \$500,000 to the RCB on April 8, 2011. The terms of the six month loan required a single payment of principal and interest on October 8, 2011. Interest was charged at 6% per annum and the loan matured October 8, 2011 and was paid in full.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2012 and 2011

NOTE 6. RELATED PARTY TRANSACTIONS (CONTINUED)

Maturity of the loans receivable is as follows:

2013	\$ 100,043
2014	106,743
2015	113,892
2016	121,520
2017	129,658
Thereafter	<u>403,326</u>
	<u>\$ 975,182</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 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Administrative and accounting fees	<u>\$ 2,000</u>	<u>\$ 2,000</u>
Rent	<u>\$ 6,000</u>	<u>\$ 6,000</u>

NOTE 7. RESTRICTED NET ASSETS

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

	<u>2012</u>	Restated <u>2011</u>
Parish	\$ 158,967	\$ 251,249
Program	1,644,195	1,829,299
Capital campaign	<u>1,420,605</u>	<u>2,883,434</u>
	<u>\$ 3,223,767</u>	<u>\$ 4,963,982</u>

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

	<u>2012</u>	Restated <u>2011</u>
Parish	\$ 2,285,244	\$ 1,849,626
Program	12,564,809	11,961,983
Beneficial interest in annuities	1,766,628	1,725,324
Beneficial interest in trusts	<u>978,967</u>	<u>1,058,132</u>
	<u>\$ 17,595,648</u>	<u>\$ 16,595,065</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2012 and 2011

NOTE 8. 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>2012</u>	Restated <u>2011</u>
Purpose restrictions accomplished:		
Earnings distribution:		
Parish	\$ 108,548	\$ 64,716
Program	698,358	582,098
Transfer of management of endowed assets	30,044	-
Released to capital campaign recipients	1,337,015	1,772,894
Released to building endowment and scholarship	-	1,000
	<u>\$ 2,173,965</u>	<u>\$ 2,420,708</u>

NOTE 9. GAIN CONTINGENCIES

The Foundation has been named as beneficiary in numerous wills. The fair value of such wills cannot 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 10. ENDOWMENT NET ASSETS

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

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012 and 2011

NOTE 10. ENDOWMENT NET ASSETS (CONTINUED)

Interpretation of Relevant Law

The Foundation Board has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (“MUPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies 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, 2012 and 2011

NOTE 10. ENDOWMENT NET ASSETS (CONTINUED)

Changes in net asset composition by type of fund for the years ended June 30, 2012 and 2011 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2010	\$ -	\$ 442,289	\$14,977,812	\$15,420,101
Investment return:				
Investment income	-	403,317	-	403,317
Net appreciation	-	1,707,085	233,300	1,940,385
Total investment return	-	2,110,402	233,300	2,343,702
Contributions	-	2,084	1,198,939	1,201,023
Change in value of split interest agreements and annuities	-	-	185,014	185,014
Appropriation for expenditure	-	(638,004)	-	(638,004)
Endowment net assets, June 30, 2011	-	1,916,771	16,595,065	18,511,836
Investment return:				
Investment income	-	429,238	-	429,238
Net appreciation (depreciation)	-	96,606	(19,413)	77,193
Total investment return	-	525,844	(19,413)	506,431
Contributions	-	-	1,087,901	1,087,901
Change in value of split interest agreements and annuities	-	-	(37,861)	(37,861)
Transfer of management of endowment assets	-	30,044	(30,044)	-
Appropriation for expenditure	-	(825,690)	-	(825,690)
Endowment net assets, June 30, 2012	\$ -	\$ 1,646,969	\$ 17,595,648	\$ 19,242,617

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, 2012 and 2011.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012 and 2011

NOTE 10. ENDOWMENT NET ASSETS (CONTINUED)

Transfer of management of endowed assets:

The Foundation's Board of Trustees approved the transfer of the management of the Botz Family Foundation Endowed Scholarship Fund assets in fiscal year ending June 30, 2012, to Carroll College. The transfer was determined to be in the best interest of the foundation and the donor since the donor already had an existing fund for this purpose at Carroll College. In addition, the foundation transferred ½ of the Fr. O. Lee Hightower endowment assets in fiscal year ending June 30, 2012, to Free the Kids.

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

Strategies Employed for Achieving Objectives:

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Endowment assets are to be invested in accordance with the Foundation's investment policy, which may be amended from time to time. The investment policy states that all investments must conform to the socially responsible philosophy of the Roman Catholic Church.

Spending Policy and How the Investment Objectives Relate to Spending Policy:

The Foundation calculates the amount available for charitable distribution from the fund each year based on its 12-quarter rolling average fund balance for funds whose fair market value on June 30 exceeds the historic value, multiplied by the distribution rate approved by the Board, currently 4.5%.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2012 and 2011

NOTE 11. 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:

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 measured on a recurring basis at June 30, 2012, are as follows:

<u>2012:</u>	Fair Value	Quoted prices in active markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Beneficial interest in CRT	\$ 978,967	\$ 978,967	\$ -	\$ -
Stocks:				
Consumer discretionary	571,772	571,772	-	-
Consumer staples	478,126	478,126	-	-
Energy	349,468	349,468	-	-
Financials	815,325	815,325	-	-
Healthcare	798,567	798,567	-	-
Industrials	557,028	557,028	-	-
Information technology	1,034,863	1,034,863	-	-
Materials	69,736	69,736	-	-
International	622,366	622,366	-	-
Bonds:				
Government	1,158,249	-	1,158,249	-
Corporate	2,144,031	-	2,144,031	-

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012 and 2011

NOTE 12. FAIR VALUE MEASUREMENT (CONTINUED)

<u>2012 (Continued):</u>	<u>Fair Value</u>	<u>prices in active markets (Level 1)</u>	<u>Observable Inputs (Level 2)</u>	<u>Unobservable Inputs (Level 3)</u>
Mutual Funds:				
Commodity total return fund	183,502	183,502	-	-
Diversified emerging market funds	406,074	406,074	-	-
Floating rate loans	341,205	341,205	-	-
Foreign large blends	190,938	190,938	-	-
Foreign large value funds	196,131	196,131	-	-
Inflation protected bond funds	223,353	223,353		
Inflation-protected public obligations of the U.S. Treasury	166,383	166,383	-	-
Intermediate term bond funds	1,110,689	1,110,689	-	-
Large blend funds	394,311	394,311	-	-
Large growth funds	390,342	390,342	-	-
Mid-cap growth funds	342,853	342,853	-	-
Mid-cap value funds	379,352	379,352	-	-
Moderated allocation funds	787,414	787,414	-	-
Natural resource funds	400,356	400,356	-	-
Real estate funds	728,543	728,543	-	-
World allocation funds	255,923	255,923	-	-
World bond funds	107,067	107,067	-	-
World stock funds	215,640	215,640	-	-
Life insurance	129,469	-	129,469	-
Total	<u>\$ 16,528,043</u>	<u>\$ 13,096,294</u>	<u>\$ 3,431,749</u>	<u>\$ -</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012 and 2011

NOTE 12. FAIR VALUE MEASUREMENT (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2011, are as follows:

	Fair Value	Quoted prices in active markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2011:</u>				
Beneficial interest in CRT	\$ 1,058,132	\$ 1,058,132	\$ -	\$ -
Stocks:				
Consumer discretionary	548,918	548,918	-	-
Consumer staples	366,146	366,146	-	-
Energy	352,833	352,833	-	-
Financials	656,078	656,078	-	-
Healthcare	671,823	671,823	-	-
Industrials	594,019	594,019	-	-
Information technology	823,474	823,474	-	-
Materials	169,834	169,834	-	-
Utilities	103,818	103,818	-	-
International	857,087	857,087	-	-
Bonds:				
Government	811,446	-	811,446	-
Corporate	1,376,217	-	1,376,217	-
Mutual Funds:				
Diversified emerging market funds	294,360	294,360	-	-
Floating rate loans	150,174	150,174	-	-
Foreign large blends	222,967	222,967	-	-
Foreign large value funds	218,010	218,010	-	-
High yield bond funds	102,649	102,649	-	-
Inflation protected bond funds	125,912	125,912	-	-
Inflation protected public obligations				
of the U.S. Treasury	515,582	515,582	-	-
Intermediate term bond funds	785,597	785,597	-	-
Large blend funds	177,432	177,432	-	-
Large growth funds	354,366	354,366	-	-
Large value funds	205,604	205,604	-	-
Mid-cap growth funds	201,799	201,799	-	-
Mid-cap value funds	208,119	208,119	-	-
Moderated allocation funds	898,924	898,924	-	-
Natural resource funds	274,283	274,283	-	-
Real estate funds	200,412	200,412	-	-
World allocation funds	595,020	595,020	-	-
World bond funds	107,427	107,427	-	-
World stock funds	716,754	716,754	-	-
Life insurance	126,521	-	126,521	-
Total	<u>\$ 14,871,737</u>	<u>\$ 12,557,553</u>	<u>\$ 2,314,184</u>	<u>\$ -</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2012 and 2011

NOTE 13. PRIOR PERIOD ADJUSTMENT

During 2012, management identified the following adjustments that affected prior periods:

- The Diocese paid the campaign expenses related to capital campaign in 2009. All pledges to the capital campaign were made and recorded in the financials for the Foundation for the Diocese of Helena. The Diocese and the Foundation reached an agreement where the Diocese will be reimbursed for the campaign expenses based on the collections on the pledges. The receivable had not been originally recorded as a payable on the Foundation for the Diocese of Helena financials. Therefore, a payable for the present value of campaign expenses was recorded for fiscal 2011. The effect of the adjustment decreased temporarily restricted net assets as of June 30, 2011 by \$319,981 and decreased the change in net assets by the same amount.

ACCOMPANYING INFORMATION

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
Years Ended June 30, 2012 and 2011

	<u>Program</u>		<u>Fund Raising</u>		<u>Management and General</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Salaries	\$ 66,852	\$ 52,968	\$ 5,420	\$ 4,294	\$ 36,130	\$ 28,627	\$ 108,402	\$ 85,889
Benefits	19,382	18,074	1,571	1,465	10,475	9,768	31,428	29,307
Meals and lodging	537	125	1,075	251	537	125	2,149	501
Automobile allotment	65	97	131	194	65	97	261	388
Commercial transportation	252	-	-	-	252	-	504	-
Registration fees	-	524	-	-	-	-	-	524
Professional and technical services	7,350	6,878	-	-	7,350	6,878	14,700	13,756
Postage	717	789	58	64	387	426	1,162	1,279
Printing	972	710	1,943	1,420	971	710	3,886	2,840
Telephone	598	657	-	-	299	329	897	986
Rent	3,700	3,700	300	300	2,000	2,000	6,000	6,000
Office supplies	225	398	-	-	113	199	338	597
Other supplies and materials	318	213	-	-	159	106	477	319
Computer and program supplies	-	-	-	-	5,561	3,237	5,561	3,237
Special functions	-	-	412	2,100	-	-	412	2,100
On-line giving costs	-	-	990	1,064	-	-	990	1,064
Legal fees and expenses	-	-	-	-	3,021	1,456	3,021	1,456
Advertising	-	-	1,703	1,766	-	-	1,703	1,766
Dues and subscriptions	131	164	-	-	-	-	131	164
Advisory board meeting	-	-	-	-	2,011	1,126	2,011	1,126
Depreciation expense	5,565	4,253	451	345	3,006	2,298	9,022	6,896
Sub-total expenses	106,664	89,550	14,054	13,263	72,337	57,382	193,055	160,195
Grants	26,179	14,265	-	-	-	-	26,179	14,265
Disbursement to participating funds	493,240	349,071	-	-	-	-	493,240	349,071
Disbursement to participating funds of capital campaign	1,337,015	2,092,874	-	-	-	-	1,337,015	2,092,874
Released to building endowment and scholarships	1,000	1,000	-	-	-	-	1,000	1,000
Transfer of management of endowed funds	30,044	-	-	-	-	-	30,044	-
Life insurance	4,712	4,713	-	-	7,446	7,447	12,158	12,160
Trustee and administrative fees	-	-	-	-	64,811	55,197	64,811	55,197
Total expenses	<u>\$ 1,998,854</u>	<u>\$ 2,551,473</u>	<u>\$ 14,054</u>	<u>\$ 13,263</u>	<u>\$ 144,594</u>	<u>\$ 120,026</u>	<u>\$ 2,157,502</u>	<u>\$ 2,684,762</u>

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.