

The accompanying financial statements and report are intended for the original recipient. They must be presented in their entirety and may not be modified in any manner.



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

FINANCIAL REPORT

June 30, 2013 and 2012



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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 financial statements of the Foundation for the Diocese of Helena, Inc., (the Foundation)(a nonprofit organization) which comprise the statements of financial position as of June 30, 2013 and 2012, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 26 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anderson Zurmuehlen & Co., P.C.

Helena, Montana
December 30, 2013

FINANCIAL STATEMENTS

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

ASSETS	<u>2013</u>	<u>2012</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,625,942	\$ 627,277
Net pledges receivable, current	450,176	822,708
Bequest receivable	-	783
Interest receivable	48,744	34,355
Due from current fund - Roman Catholic Bishop (RCB)	2,985	-
Loan receivable - RCB, current	106,743	100,043
Notes receivable, current	-	24,482
Prepaid expenses	463	-
Investments	<u>19,623,034</u>	<u>15,549,076</u>
Total current assets	<u>21,858,087</u>	<u>17,158,724</u>
FIXED ASSETS		
Software, net	<u>3,851</u>	<u>7,703</u>
OTHER RECEIVABLES		
Loan receivable - RCB, net of current portion	768,396	875,139
Pledges receivable, net of discount and current portion	-	751,663
Notes receivable, net of current portion	<u>-</u>	<u>97,092</u>
Total other receivables	<u>768,396</u>	<u>1,723,894</u>
OTHER ASSETS		
Annuities held by RCB	1,658,646	1,766,628
Beneficial interest in charitable remainder trusts	<u>302,897</u>	<u>978,967</u>
Total other assets	<u>1,961,543</u>	<u>2,745,595</u>
 Total assets	 <u>\$ 24,591,877</u>	 <u>\$ 21,635,916</u>

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

LIABILITIES AND NET ASSETS	<u>2013</u>	<u>2012</u>
CURRENT LIABILITIES		
Accounts payable	\$ 2,524	\$ 6,613
Accrued liabilities	3,472	15,315
Earnings distributions payable	370,556	236,205
Due to current fund - Roman Catholic Bishop (RCB)	-	113,554
Compensated absences	<u>1,826</u>	<u>4,354</u>
Total current liabilities	<u>378,378</u>	<u>376,041</u>
Total liabilities	<u>378,378</u>	<u>376,041</u>
NET ASSETS		
Unrestricted	597,892	440,460
Temporarily restricted	3,030,323	3,223,767
Permanently restricted	<u>20,585,284</u>	<u>17,595,648</u>
Total net assets	<u>24,213,499</u>	<u>21,259,875</u>
Total liabilities and net assets	<u>\$ 24,591,877</u>	<u>\$ 21,635,916</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 STATEMENTS OF ACTIVITIES
 Years Ended June 30, 2013 and 2012

	June 30, 2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ 20,796	\$ 80,499	\$ 2,961,312	\$ 3,062,607
Capital campaign	-	29,281	-	29,281
Gifts assessment and administrative fee	24,626	-	-	24,626
Interest and dividends	8,131	450,090	-	458,221
Net realized and unrealized gains (losses) on investments	47,154	990,074	117,852	1,155,080
Transfer of management of endowed assets	-	24,559	(24,559)	-
Change in value of annuities held by RCB	-	-	(107,982)	(107,982)
Change in value of split interest agreements	-	-	43,013	43,013
Administrative fee	285,834	-	-	285,834
Net assets released from restrictions	<u>1,767,947</u>	<u>(1,767,947)</u>	<u>-</u>	<u>-</u>
Total revenues, gains, and other support	<u>2,154,488</u>	<u>(193,444)</u>	<u>2,989,636</u>	<u>4,950,680</u>
EXPENSES				
Program:				
Disbursement to participating parish and diocesan funds	624,122	-	-	624,122
Disbursement to participating parish and diocesan funds in capital campaign	1,041,207	-	-	1,041,207
Released to parish building endowments and scholarships	1,000	-	-	1,000
Transfer of management of endowed assets	24,559	-	-	24,559
Life insurance	4,320	-	-	4,320
Grants	24,587	-	-	24,587
Program operations	101,045	-	-	101,045
Fund raising	16,798	-	-	16,798
Management and general:				
Operations	70,272	-	-	70,272
Life insurance	6,826	-	-	6,826
Trustee and administrative fees	<u>82,320</u>	<u>-</u>	<u>-</u>	<u>82,320</u>
Total expenses and losses	<u>1,997,056</u>	<u>-</u>	<u>-</u>	<u>1,997,056</u>
Change in net assets	157,432	(193,444)	2,989,636	2,953,624
Net assets, beginning of year	<u>440,460</u>	<u>3,223,767</u>	<u>17,595,648</u>	<u>21,259,875</u>
Net assets, end of year	<u>\$ 597,892</u>	<u>\$ 3,030,323</u>	<u>\$ 20,585,284</u>	<u>\$ 24,213,499</u>

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

June 30, 2012

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 13,139	\$ -	\$ 1,087,901	\$ 1,101,040
-	(125,814)	-	(125,814)
30,880	-	-	30,880
4,681	433,342	-	438,023
6,441	(147,226)	(19,413)	(160,198)
-	30,044	(30,044)	-
-	-	41,303	41,303
-	-	(79,164)	(79,164)
243,404	-	-	243,404
<u>1,930,561</u>	<u>(1,930,561)</u>	<u>-</u>	<u>-</u>
<u>2,229,106</u>	<u>(1,740,215)</u>	<u>1,000,583</u>	<u>1,489,474</u>
493,240	-	-	493,240
1,337,015	-	-	1,337,015
1,000	-	-	1,000
30,044	-	-	30,044
4,712	-	-	4,712
26,179	-	-	26,179
106,664	-	-	106,664
14,054	-	-	14,054
72,337	-	-	72,337
7,446	-	-	7,446
<u>64,811</u>	<u>-</u>	<u>-</u>	<u>64,811</u>
<u>2,157,502</u>	<u>-</u>	<u>-</u>	<u>2,157,502</u>
71,604	(1,740,215)	1,000,583	(668,028)
<u>368,856</u>	<u>4,963,982</u>	<u>16,595,065</u>	<u>21,927,903</u>
<u>\$ 440,460</u>	<u>\$ 3,223,767</u>	<u>\$ 17,595,648</u>	<u>\$ 21,259,875</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 STATEMENTS OF CASH FLOWS
 Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,953,624	\$ (668,028)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Investment securities donated to the Foundation	(71,446)	(19,219)
Net gain on investments	(1,440,913)	(83,206)
Depreciation	3,852	9,024
Net change in annuities held by the RCB	107,982	(41,304)
Permanently restricted contributions	(2,961,312)	(1,087,901)
Change in operating assets and liabilities:		
Accounts and interest receivable	(13,606)	(10,821)
Prepaid insurance	(463)	-
Due to/from related party	(116,539)	114,893
Pledges receivable, net	1,124,195	1,625,436
Beneficial interest in charitable remainder trusts	676,070	79,165
Accounts payable	(4,089)	2,672
Accrued liabilities	(11,843)	14,436
Earnings distributions payable	134,351	(76,072)
Compensated absences	(2,528)	1,058
Net cash flows from operating activities	<u>377,335</u>	<u>(139,867)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(7,360,273)	(5,297,579)
Proceeds from the sale of investments	4,798,674	3,664,533
Payments received on notes receivable	121,574	23,122
Payments received on loan to related party (RCB)	<u>100,043</u>	<u>593,764</u>
Net cash flows from investing activities	<u>(2,339,982)</u>	<u>(1,016,160)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	<u>2,961,312</u>	<u>1,087,901</u>
Net cash flows from financing activities	<u>2,961,312</u>	<u>1,087,901</u>
Net change in cash and cash equivalents	998,665	(68,126)
Cash and cash equivalents, beginning of year	<u>627,277</u>	<u>695,403</u>
Cash and cash equivalents, end of year	<u>\$ 1,625,942</u>	<u>\$ 627,277</u>
NONCASH CONTRIBUTIONS		
Investment securities donated to the Foundation	<u>\$ 71,446</u>	<u>\$ 19,219</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, 2013 and 2012

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, 2013 and 2012

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.

➤ **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 depending upon the endowment fund terms. 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 or had time restrictions which were met.

➤ **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 reporting period. Actual results could differ from these estimates.

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. From time to time, certain bank accounts that are subject to limited FDIC coverage exceeded their insured limits. At June 30, 2013 and 2012, there was \$868,277 and \$96,341 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, 2013 and 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

An annual administrative fee of 1.5% (\$285,834 in 2013 and \$243,404 in 2012) of fair market value was assessed to all participants in the investment pool to fund Foundation operations. The investment fee is netted with the investment earnings. See Note 3.

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.

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.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2013 and 2012.

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, 2013 and 2012.

Retirement Plan

The Foundation employees participate in the 403(b) retirement plan managed by the Diocese of Helena 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, 2013 and 2012 were \$5,930 and \$4,724, respectively.

Subsequent Events

Management has evaluated subsequent events through December 30, 2013, the date which the financial statements were available for issue.

Reclassifications

Certain reclassifications have been made to June 30, 2012 financial statements to conform to the June 30, 2013 presentation. Such reclassifications have had no effect on previously reported change in net assets.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

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>2013</u>	<u>2012</u>
Helena Springs note receivable, due in monthly installments of \$2,600, with interest at 6%, due January 1, 2017, collateralized by security interest; paid in full during 2013.	\$ -	\$ 121,574
Less current portion	<u>-</u>	<u>24,482</u>
Long term portion	<u>\$ -</u>	<u>\$ 97,092</u>

NOTE 3. INVESTMENTS

Investments include the following:

	2013		2012	
	Cost	Fair Value	Cost	Fair Value
Stocks	\$ 10,691,253	\$ 12,980,055	\$ 8,808,870	\$ 10,168,630
Bonds	6,342,591	6,387,510	5,014,469	5,250,977
Mission Diocese Fund	101,571	102,714	-	-
Cash surrender value of life insurance policies	<u>63,785</u>	<u>152,755</u>	<u>63,785</u>	<u>129,469</u>
	<u>\$ 17,199,200</u>	<u>\$ 19,623,034</u>	<u>\$ 13,887,124</u>	<u>\$ 15,549,076</u>

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

	Cost	Fair Value	Unrealized Gain (loss)
June 30, 2013	\$ 17,199,200	\$ 19,623,034	\$ 2,423,834
June 30, 2012	\$ 13,887,124	\$ 15,549,076	<u>1,661,952</u>
Net unrealized gain for fiscal year 2013			<u>\$ 761,882</u>
June 30, 2012	\$ 13,887,124	\$ 15,549,076	\$ 1,661,952
June 30, 2011	\$ 11,997,816	\$ 13,813,605	<u>1,815,789</u>
Net unrealized loss for fiscal year 2012			<u>\$ (153,837)</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

NOTE 3. INVESTMENTS (CONTINUED)

Investment earnings (losses) consist of the following:

	<u>2013</u>	<u>2012</u>
Net realized gains	\$ 679,032	\$ 237,043
Net unrealized gains (losses)	761,882	(153,837)
Less: administrative fee	<u>(285,834)</u>	<u>(243,404)</u>
Net realized and unrealized gains (losses)	1,155,080	(160,198)
Interest and dividends	<u>458,221</u>	<u>438,023</u>
	<u>\$ 1,613,301</u>	<u>\$ 277,825</u>

Investment fees of \$67,723 and \$48,332 have been netted in investment return for the years ended June 30, 2013 and 2012, respectively.

Investments with an unrealized loss position at June 30, 2013 and 2012 are as follows:

	Less than 12 months		12 months or more		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>2013:</u>						
Description of securities:						
Stocks	\$ 415,589	\$ (11,474)	\$ 962,397	\$ (101,001)	\$ 1,377,986	\$ (112,475)
Bonds:						
Corporate	1,528,996	(63,255)	263,622	(4,778)	1,792,618	(68,033)
US Government	-	-	-	-	-	-
Federal Agency	627,483	(25,345)	-	-	627,483	(25,345)
Real Assets	-	-	234,578	(30,422)	234,578	(30,422)
	<u>\$ 2,572,068</u>	<u>\$ (100,074)</u>	<u>\$ 1,460,597</u>	<u>\$ (136,201)</u>	<u>\$ 4,032,665</u>	<u>\$ (236,275)</u>
<u>2012:</u>						
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>

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, 2013 and 2012. Twenty-three and sixteen securities were in an unrealized loss position as of June 30, 2013 and 2012, 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 FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013 and 2012

NOTE 3. INVESTMENTS (CONTINUED)

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 2013 and 2012.

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>2013</u>	<u>2012</u>
Cash Surrender Value:		
Life insurance policies, various donors (Face value \$225,000)	\$ 92,750	\$ 76,323
Bishop Elden F. Curtiss (Face value \$100,000)	14,991	15,002
Bishop Alexander J. Brunett (Face value \$200,000)	<u>45,014</u>	<u>38,144</u>
	<u>\$ 152,755</u>	<u>\$ 129,469</u>

NOTE 4. BENEFICIAL INTEREST IN CHARITABLE REMAINDER TRUSTS

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

	<u>2013</u>	<u>2012</u>
Margaret Quinn Unitrust	<u>\$ 302,897</u>	<u>\$ 978,967</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. Funds of \$719,083 were received from this Trust during fiscal year 2013. There were no funds received from this Trust during fiscal year 2012.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013 and 2012

NOTE 5. PLEDGES RECEIVABLE

Unconditional pledges receivable at June 30 are as follows:

	<u>2013</u>	<u>2012</u>
Receivable in less than one year	\$ 478,911	\$ 822,708
Receivable in one to five years	-	932,569
Receivable in more than five years	-	<u>45</u>
Total unconditional promises to give	478,911	1,755,322
Less discounts to net present value	-	(80,459)
Less allowance for uncollectible promises receivable	<u>(28,735)</u>	<u>(100,492)</u>
Net unconditional promises to give	<u>\$ 450,176</u>	<u>\$ 1,574,371</u>

Pledges 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>2013</u>	<u>2012</u>
Due from (to) RCB	<u>\$ 2,985</u>	<u>\$ (113,554)</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 monthly principal and interest payments of \$13,372, due on the 18th of the month. Interest is charged at 6.5% and the loan matures April 18, 2020. The principal amounts remaining were \$875,139 and \$975,182, at June 30, 2013 and 2012, respectively.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013 and 2012

NOTE 6. RELATED PARTY TRANSACTIONS (CONTINUED)

Maturity of the loans receivable is as follows:

2014	\$	106,743
2015		113,892
2016		121,520
2017		129,658
2018		138,341
Thereafter		<u>264,985</u>
	\$	<u>875,139</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 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</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>2013</u>	<u>2012</u>
Parish	\$ 241,016	\$ 158,967
Program	2,380,628	1,644,195
Capital campaign	<u>408,679</u>	<u>1,420,605</u>
	\$ <u>3,030,323</u>	\$ <u>3,223,767</u>

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

	<u>2013</u>	<u>2012</u>
Parish	\$ 2,594,322	\$ 2,285,244
Program	16,029,419	12,564,809
Beneficial interest in annuities	1,658,646	1,766,628
Beneficial interest in trusts	<u>302,897</u>	<u>978,967</u>
	\$ <u>20,585,284</u>	\$ <u>17,595,648</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013 and 2012

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>2013</u>	<u>2012</u>
Purpose restrictions accomplished:		
Earnings distribution:		
Parish	\$ 85,270	\$ 73,263
Program	615,943	498,282
Transfer of management of endowed assets	-	30,044
Grant from endowment per instructions after death	24,559	-
Released to capital campaign recipients	1,041,205	1,337,015
Released to scholarship	970	957
	<u>\$ 1,767,947</u>	<u>\$ 1,930,561</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, 2013 and 2012

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, 2013 and 2012

NOTE 10. ENDOWMENT NET ASSETS (CONTINUED)

Changes in net asset composition by type of fund for the years ended June 30, 2013 and 2012 are as follows:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
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 June 30, 2012	-	(825,690)	-	(825,690)
	-	1,646,969	17,595,648	19,242,617
Investment return:				
Investment income	-	446,063	-	446,063
Net appreciation (depreciation)	-	1,263,167	117,852	1,381,019
Total investment return	-	1,709,230	117,852	1,827,082
Contributions	-	10,498	2,961,312	2,971,810
Change in value of split interest agreements and annuities	-	-	(64,969)	(64,969)
Transfer of management of endowment assets	-	24,559	(24,559)	-
Appropriation for expenditure	-	(1,001,269)	-	(1,001,269)
Endowment net assets, June 30, 2013	\$ -	\$ 2,389,987	\$ 20,585,284	\$ 22,975,271

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, 2013 and 2012.

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

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, 2013 and 2012

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, 2013, are as follows:

	Fair Value	Quoted prices in active markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2013:</u>				
Beneficial interest in CRT	\$ 302,897	\$ 302,897	\$ -	\$ -
Stocks:				
Consumer discretionary	777,606	777,606	-	-
Consumer staples	628,534	628,534	-	-
Energy	480,732	480,732	-	-
Financials	1,265,844	1,265,844	-	-
Healthcare	1,072,249	1,072,249	-	-
Industrials	441,325	441,325	-	-
Information technology	1,133,008	1,133,008	-	-
International	881,243	881,243	-	-
Bonds:				
Government	1,624,644	-	1,624,644	-
Corporate	2,965,332	-	2,965,332	-

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2013 and 2012

NOTE 11. FAIR VALUE MEASUREMENT (CONTINUED)

<u>2013:</u>	<u>Fair Value</u>	<u>Quoted prices in active markets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual Funds:				
Bank loan	444,520	444,520	-	-
Commodity total return fund	234,578	234,578	-	-
Consumer defensive	300,463	300,463	-	-
Diversified emerging market funds	428,853	428,853	-	-
Foreign large blends	210,036	210,036	-	-
Inflation protected bond funds	349,144	349,144	-	-
Intermediate term bond funds	855,689	855,689	-	-
Large growth funds	693,074	693,074	-	-
Large value funds	448,490	448,490	-	-
Mid-cap growth funds	521,656	521,656	-	-
Mid-cap value funds	535,697	535,697	-	-
Mission Diocese Fund LLC	102,715	102,715	-	-
Natural resource funds	611,999	611,999	-	-
Real estate funds	932,365	932,365	-	-
Utilities	223,060	223,060	-	-
World allocation funds	592,725	592,725	-	-
World bond funds	262,030	262,030	-	-
World stock funds	452,670	452,670	-	-
Life insurance	<u>152,755</u>	<u>-</u>	<u>152,755</u>	<u>-</u>
Total	<u>\$ 19,925,931</u>	<u>\$ 15,183,201</u>	<u>\$ 4,742,730</u>	<u>\$ -</u>

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2013 and 2012

NOTE 11. FAIR VALUE MEASUREMENT (CONTINUED)

Fair values of assets measured on a recurring basis at June 30, 2012, are as follows:

	Fair Value	Quoted prices in active markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>2012:</u>				
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	-
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, 2013 and 2012

NOTE 12. SUBSEQUENT EVENT

In October 2013, the Board of Directors approved a \$250,000 grant to the Diocese of Helena that commits funds to the Diocese of \$125,000 for both Fiscal Years 2014 and 2015, respectively.

ACCOMPANYING INFORMATION

THE FOUNDATION FOR THE DIOCESE OF HELENA, INC.
SCHEDULES OF FUNCTIONAL EXPENSES
Years Ended June 30, 2013 and 2012

	<u>Program</u>		<u>Fund Raising</u>		<u>Management and General</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Salaries	\$ 60,907	\$ 66,852	\$ 4,938	\$ 5,420	\$ 32,918	\$ 36,130	\$ 98,763	\$ 108,402
Benefits	20,118	19,382	1,631	1,571	10,873	10,475	32,622	31,428
Meals and lodging	737	537	1,474	1,075	737	537	2,948	2,149
Automobile allotment	192	65	385	131	192	65	769	261
Commercial transportation	824	252	-	-	824	252	1,648	504
Registration fees	1,122	-	-	-	1,122	-	2,244	-
Professional and technical services	7,871	7,350	-	-	7,871	7,350	15,742	14,700
Postage	664	717	54	58	359	387	1,077	1,162
Printing	1,019	972	2,039	1,943	1,019	971	4,077	3,886
Telephone	394	598	-	-	197	299	591	897
Rent	3,700	3,700	300	300	2,000	2,000	6,000	6,000
Office supplies	229	225	-	-	115	113	344	338
Other supplies and materials	767	318	-	-	384	159	1,151	477
Computer and program supplies	-	-	-	-	6,028	5,561	6,028	5,561
Special functions	-	-	2,457	412	-	-	2,457	412
On-line giving costs	-	-	1,667	990	-	-	1,667	990
Legal fees and expenses	-	-	-	-	2,861	3,021	2,861	3,021
Advertising	-	-	1,660	1,703	-	-	1,660	1,703
Dues and subscriptions	125	131	-	-	-	-	125	131
Advisory board meeting	-	-	-	-	1,488	2,011	1,488	2,011
Depreciation expense	2,376	5,565	193	451	1,284	3,006	3,852	9,022
Sub-total expenses	101,045	106,664	16,798	14,054	70,272	72,337	188,114	193,055
Grants	24,587	26,179	-	-	-	-	24,587	26,179
Disbursement to participating funds	624,122	493,240	-	-	-	-	624,122	493,240
Disbursement to participating funds of capital campaign	1,041,207	1,337,015	-	-	-	-	1,041,207	1,337,015
Released to scholarships	1,000	1,000	-	-	-	-	1,000	1,000
Transfer of management of endowed funds	24,559	30,044	-	-	-	-	24,559	30,044
Life insurance	4,320	4,712	-	-	6,826	7,446	11,146	12,158
Trustee and administrative fees	-	-	-	-	82,320	64,811	82,320	64,811
Total expenses	<u>\$ 1,820,840</u>	<u>\$ 1,998,854</u>	<u>\$ 16,798</u>	<u>\$ 14,054</u>	<u>\$ 159,418</u>	<u>\$ 144,594</u>	<u>\$ 1,997,056</u>	<u>\$ 2,157,502</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.



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