

**FRANCISCAN FOUNDATION
FOR
THE HOLY LAND**

**Financial Statements
For the Year Ended December 31, 2012
and
Report Thereon**

LANE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors of the
Franciscan Foundation for the Holy Land

We have audited the accompanying financial statements of the Franciscan Foundation for the Holy Land, which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year 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 of 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 Franciscan Foundation of the Holy Land as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script, appearing to read "L. + Curran".

Washington, D.C., U.S.A.
March 12, 2013

FRANCISCAN FOUNDATION FOR THE HOLY LAND
STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS

Cash and cash equivalents	\$ 1,272,908
Investments	1,840,840
Contributions receivable	<u>200,400</u>
Total Assets	<u>\$ 3,314,148</u>

LIABILITIES AND NET ASSETS

Net assets - Unrestricted	<u>3,314,148</u>
Total Liabilities and Net Assets	<u>\$ 3,314,148</u>

The accompanying notes are an integral part of these financial statements.

FRANCISCAN FOUNDATION FOR THE HOLY LAND
STATEMENT OF ACTIVITIES
For the year ended December 31, 2012

Changes in unrestricted net assets	
Revenue	
Contributions	\$ 2,118,019
Investment income	<u>54,043</u>
Total Revenue	2,172,062
Expenses	
Program	\$ 1,838,840
General and administrative	185,030
Fund-raising	<u>96,403</u>
Total Expenses	<u>2,120,273</u>
Change in net assets	51,789
Net Assets - Unrestricted, Beginning of Year	<u>3,262,359</u>
Net Assets - Unrestricted, End of Year	<u>\$ 3,314,148</u>

The accompanying notes are an integral
part of these financial statements.

FRANCISCAN FOUNDATION FOR THE HOLY LAND
STATEMENT OF CASH FLOWS
For the year ended December 31, 2012

Cash Flows from Operating Activities		
Change in net assets	\$	51,789
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net Realized and Unrealized loss on investments		11,613
Changes in assets and liabilities		
Contributions receivable		<u>(199,400)</u>
Net Cash Used In Operating Activities		<u>(135,998)</u>
 Cash Flows Provided by Investing Activities		
Purchase of investments		(3,899,387)
Sale of investments		<u>4,305,968</u>
Net Cash Provided by Investing Activities		<u>406,581</u>
Net Increase in Cash and cash equivalents		270,583
Cash and cash equivalents, Beginning of Year		<u>1,002,325</u>
Cash and cash equivalents, End of Year	\$	<u><u>1,272,908</u></u>

The accompanying notes are an integral part of these financial statements.

FRANCISCAN FOUNDATION FOR THE HOLY LAND
Notes to Financial Statements

1. Organization

The Franciscan Foundation for the Holy Land (the Foundation) was incorporated in 1994 and established to safeguard human rights and the continued presence of the Christian minority in the Holy Land. The Foundation provides the Christians in the Holy Land with housing, college scholarships, tuition and books for school age children and other humanitarian support. During 2012, the Foundation provided over \$1.6 million in scholarships and assistance, which is included in Program Expenses on the Statement of Activities.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Foundation maintains its accounts on the accrual basis of accounting in accordance with generally accepted accounting principles.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

Income Taxes

The Foundation is classified as a publicly supported organization under section 501(c)(3) of the Internal Revenue Code, and is exempt from taxes on income other than on unrelated business income. At December 31, 2012, the Foundation had no unrelated business income; hence, no provision for income tax was required.

Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition on the financial statements.

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FRANCISCAN FOUNDATION FOR THE HOLY LAND
Notes to Financial Statements

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers its checking accounts and certain interest-bearing money funds to be cash and cash equivalents. The checking accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at each institution.

Investments

Investments consist of fixed income securities and are recorded at fair value, based on quoted market prices.

Contributions Receivable

Contributions, which include unconditional promises to give, are recognized as revenue in the period received or when the promise is made.

Contributions

Contributions received are recorded as increases in unrestricted or temporarily restricted net assets, depending on the existence and/or nature of any donor restrictions. Temporarily restricted net assets whose restrictions are met in the same year are recorded as unrestricted.

Functional Allocation of Expenses

The costs of providing the Foundation's various programs and supporting services have been summarized on a functional basis in the statement of activities. Overhead costs which cannot be specifically identified as program, supporting service or fund-raising expense are allocated to these activities based on management estimates.

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FRANCISCAN FOUNDATION FOR THE HOLY LAND
Notes to Financial Statements

3. Investment Income

For the year ended December 31, 2012 investment income consisted of the following:

Interest and dividends	\$ 65,656
Realized gains	33,931
Unrealized losses	<u>(45,544)</u>
Total	<u>\$ 54,043</u>

4. Fair Value Measurements

The Foundation has implemented Accounting Standards Codification (ASC) 820, (formerly, Statement of Financial Accounting Standards No. 157), Fair Value Measurements. ASC 820 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. ASC 820 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments and cash equivalents are not necessarily an indication of risk.

Level 1 - Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 - Includes inputs other than level 1 inputs that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 - Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability including assumptions about risk such as bid/ask spreads and liquidity discounts.

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FRANCISCAN FOUNDATION FOR THE HOLY LAND
Notes to Financial Statements

4. Fair Value Measurements (continued)

Investments stated at fair value consist of the following at December 31, 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$1,840,840	--	--	\$1,840,840
Totals	<u>\$1,840,840</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$1,840,840</u>

5. Subsequent Event

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition through March 12, 2014, the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.

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