

**FRANCISCAN FOUNDATION  
FOR  
THE HOLY LAND**

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**Financial Statements  
For the Years Ended December 31, 2014 and 2013  
and  
Report Thereon**

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**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 statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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.

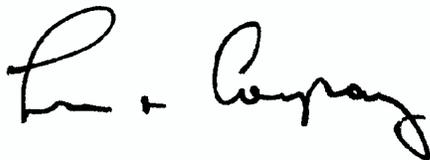
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2014 and 2013, 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.

Report on Summarized Comparative Information

We have previously audited the Franciscan Foundation of the Holy Land's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 21, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to read "L. + Company". The signature is written in a cursive, flowing style.

Washington, D.C., U.S.A.

July 7, 2015

FRANCISCAN FOUNDATION FOR THE HOLY LAND  
 STATEMENTS OF FINANCIAL POSITION  
 December 31, 2014 and 2013

ASSETS

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 1,799,451	\$ 1,832,612
Investments	1,506,389	1,447,998
Fixed assets, net	<u>12,397</u>	<u>-</u>
 Total Assets	 <u>\$ 3,318,237</u>	 <u>\$ 3,280,610</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ <u>3,590</u>	\$ <u>-</u>
 Total Liabilities	 3,590	 -
Net assets - Temporarily restricted	553,208	484,199
Net assets - Unrestricted	<u>2,761,439</u>	<u>2,796,411</u>
 Total Net Assets	 <u>3,314,647</u>	 <u>3,280,610</u>
 Total Liabilities and Net Assets	 <u>\$ 3,318,237</u>	 <u>\$ 3,280,610</u>

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

FRANCISCAN FOUNDATION FOR THE HOLY LAND  
STATEMENTS OF ACTIVITIES  
For the years ended December 31, 2014  
(With Summarized Financial Information for the Year Ended December 31, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Changes in unrestricted net assets				
Revenue				
Contributions	\$ 1,889,611	\$ 360,000	\$ 2,249,611	\$ 2,471,988
Investment income/(loss)	97,615	60	97,675	(50,401)
Net assets released from restriction	<u>291,051</u>	<u>(291,051)</u>	<u>-</u>	<u>-</u>
Total Revenue	2,278,277	69,009	2,347,286	2,421,587
Expenses				
Program	\$ 1,826,254	\$ -	\$ 1,826,254	\$ 2,137,492
General and administrative	332,721	-	332,721	224,963
Fund-raising	<u>154,274</u>	<u>-</u>	<u>154,274</u>	<u>92,670</u>
Total Expenses	<u>2,313,249</u>	<u>-</u>	<u>2,313,249</u>	<u>2,455,125</u>
Change in unrestricted net assets	(34,972)	69,009	34,037	(33,538)
Net Assets - Beginning of Year	<u>2,796,411</u>	<u>484,199</u>	<u>3,280,610</u>	<u>3,314,148</u>
Net Assets - End of Year	<u>\$ 2,761,439</u>	<u>\$ 553,208</u>	<u>\$ 3,314,647</u>	<u>\$ 3,280,610</u>

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

FRANCISCAN FOUNDATION FOR THE HOLY LAND  
STATEMENTS OF CASH FLOWS  
For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities		
Change in net assets	\$ 34,037	\$ (33,538)
Adjustments to reconcile change in net assets to net cash provided by/(used in) operating activities		
Realized and unrealized (gains)/losses on investments	(58,706)	95,676
Depreciation	3,099	-
Non-cash contribution	-	(24,597)
Changes in assets and liabilities		
Accounts payable	<u>3,590</u>	<u>-</u>
Net Cash Provided by/(Used in) Operating Activities	<u>(17,980)</u>	<u>37,541</u>
Cash Flows Provided by/(Used in) Investing Activities		
Purchase of investments	(2,632,200)	(3,140,573)
Sale of investments	2,632,515	3,462,336
Purchase of computer equipment	<u>(15,496)</u>	<u>-</u>
Net Cash Provided by/(Used in) Investing Activities	<u>(15,181)</u>	<u>321,763</u>
Net Increase/(Decrease) in Cash and cash equivalents	(33,161)	359,304
Cash and cash equivalents, Beginning of Year	<u>1,832,612</u>	<u>1,473,308</u>
Cash and cash equivalents, End of Year	<u>\$ 1,799,451</u>	<u>\$ 1,832,612</u>

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

FRANCISCAN FOUNDATION FOR THE HOLY LAND  
Notes to Financial Statements

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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 2014 and 2013, the Foundation provided over \$1.6 and \$1.9 million in scholarships and assistance, respectively, which is included in Program Expenses on the Statements 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, 2014 and 2013, 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

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2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

For financial statement purposes, the Foundation considers its domestic and overseas checking accounts and certain interest-bearing money market accounts to be cash and cash equivalents.

Investments

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

Contributions Receivable

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

Fixed Assets

Fixed assets are stated at cost and are depreciated using the straight-line method over their estimated useful lives. Major additions and improvements greater than \$2,000 are capitalized, while maintenance and repairs are expensed in the year incurred.

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. Investment securities received as contributions are recorded at the fair market value on the date received.

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FRANCISCAN FOUNDATION FOR THE HOLY LAND  
Notes to Financial Statements

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2. Summary of Significant Accounting Policies (continued)

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 statements 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.

3. Investment Income

For the years ended December 31, 2014 and 2013 investment income consisted of the following:

2014

Interest and dividends	\$ 38,970
Realized losses	(7,670)
Unrealized gains	<u>66,375</u>
Total	<u>\$ 97,675</u>

2013

Interest and dividends	\$ 45,275
Realized losses	(62,605)
Unrealized losses	<u>(33,071)</u>
Total	<u>\$(50,401)</u>

4. Fair Value Measurements

The Foundation has implemented Accounting Standards Codification (ASC) 820, 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.

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FRANCISCAN FOUNDATION FOR THE HOLY LAND  
Notes to Financial Statements

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4. Fair Value Measurements (continued)

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.

Investments stated at fair value consisted of the following at December 31, 2014 and 2013:

<u>2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$1,506,389	--	--	\$1,506,389
Totals	<u>\$1,506,389</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$1,506,389</u>
<u>2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$1,447,998	--	--	\$1,447,998
Totals	<u>\$1,447,998</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$1,447,998</u>

5. In-kind Contributions

The Foundation receives donated legal and fundraising services that are recorded at fair value as revenue and expense at the time the services or costs are received. These services totaled \$39,698 and \$2,823 in 2014 and 2013, respectively, and have been recorded as contributions and management and general and fundraising expenses on the statements of activities.

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FRANCISCAN FOUNDATION FOR THE HOLY LAND  
Notes to Financial Statements

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6. Fixed Assets

A summary of fixed assets at December 31 is as follows:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 15,496	\$ -
Less: Accumulated depreciation	<u>(3,099)</u>	<u>-</u>
Fixed assets, net	<u>\$ 12,397</u>	<u>\$ -</u>

Total depreciation expense for the years ended December 31, 2014 and 2013 was \$3,099 and \$0 respectively.

7. Reclassification

Certain reclassifications have been made to the 2013 financial statement balances to conform to the 2014 financial statement presentation.

8. Subsequent Event

In preparing these financial statements, the Foundation has evaluated events and transactions for potential recognition through July 7, 2015, 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.