

**PROVISION FOR THE FUTURE
BISMARCK, NORTH DAKOTA**

AUDITED FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

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CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Provision for the Future
Bismarck, North Dakota

We have audited the accompanying statements of financial position of Provision for the Future (the Provision) (nonprofit organization) 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 Provision's management. 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 audits 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 financial statement presentation. 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 Provision for the Future as of June 30, 2012 and 2011, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "Brady . Martz".

BRADY, MARTZ & ASSOCIATES, P.C.

October 19, 2012

PROVISION FOR THE FUTURE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012

	Clearing Account	Catholic School and Education Endowment Fund	Priests' Care Fund	Elmer Rapp Fund	Seminarian Scholarship	Brady Trust Fund	Kuhn Trust Fund	East Africa Mission	Hacker Trust Fund	Catholic Relief Fund	Total
ASSETS											
Cash and cash equivalents	\$ 17,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,771
Accounts/pledges receivable, net of allowance for doubtful accounts	-	2,188	2,146	-	2,069	-	-	-	-	-	6,403
Interest receivable	-	9,726	9,757	2	23,671	-	-	5,474	-	609	49,239
Annuity receivable	-	-	-	-	250,277	-	-	-	-	-	250,277
Investments	-	2,098,507	2,083,340	51,689	4,672,374	19,000	125,268	474,720	65,830	138,741	9,729,469
Total assets	\$ 17,771	\$ 2,110,421	\$ 2,095,243	\$ 51,691	\$ 4,948,391	\$ 19,000	\$ 125,268	\$ 480,194	\$ 65,830	\$ 139,350	\$ 10,053,159
LIABILITIES AND NET ASSETS											
LIABILITIES											
Accounts payable and accrued expenses	\$ 17,771	\$ -	\$ -	\$ -	\$ 40,073	\$ -	\$ -	\$ -	\$ -	\$ 7,000	\$ 64,844
Funds held for others	-	-	-	51,691	-	-	-	-	-	-	51,691
Total liabilities	17,771	-	-	51,691	40,073	-	-	-	-	7,000	116,535
NET ASSETS											
Temporarily restricted											
Catholic School and Education Endowment Fund	-	313,163	-	-	-	-	-	-	-	-	313,163
Priests' Care Fund	-	-	328,079	-	-	-	-	-	-	-	328,079
Seminarian Scholarship	-	-	-	-	3,175,521	-	-	-	-	-	3,175,521
Brady Trust Fund	-	-	-	-	-	19,000	-	-	-	-	19,000
Kuhn Trust Fund	-	-	-	-	-	-	125,268	-	-	-	125,268
East Africa Mission	-	-	-	-	-	-	-	480,194	-	-	480,194
Hacker Trust Fund	-	-	-	-	-	-	-	-	65,830	-	65,830
Catholic Relief Fund	-	-	-	-	-	-	-	-	-	132,350	132,350
Total temporarily restricted	-	313,163	328,079	-	3,175,521	19,000	125,268	480,194	65,830	132,350	4,639,405
Permanently restricted											
Catholic School and Education Endowment Fund	-	1,797,258	-	-	-	-	-	-	-	-	1,797,258
Priests' Care Fund	-	-	1,767,164	-	-	-	-	-	-	-	1,767,164
Seminarian Scholarship	-	-	-	-	1,732,797	-	-	-	-	-	1,732,797
Total permanently restricted	-	1,797,258	1,767,164	-	1,732,797	-	-	-	-	-	5,297,219
Total net assets	-	2,110,421	2,095,243	-	4,908,318	19,000	125,268	480,194	65,830	132,350	9,936,624
Total liabilities and net assets	\$ 17,771	\$ 2,110,421	\$ 2,095,243	\$ 51,691	\$ 4,948,391	\$ 19,000	\$ 125,268	\$ 480,194	\$ 65,830	\$ 139,350	\$ 10,053,159

See Notes to Financial Statements

PROVISION FOR THE FUTURE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2011

	Clearing Account	Catholic School and Education Endowment Fund	Priests' Care Fund	Elmer Rapp Fund	Seminarian Scholarship	Brady Trust Fund	Kuhn Trust Fund	East Africa Mission	Hacker Trust Fund	Catholic Relief Fund	Total
ASSETS											
Cash and cash equivalents	4,947	-	-	-	-	-	-	-	-	-	4,947
Accounts/pledges receivable, net of allowance for doubtful accounts	-	2,188	2,146	-	2,072	-	-	-	-	-	6,406
Interest receivable	-	9,845	9,990	2	27,167	-	466	5,542	-	622	53,634
Annuity receivable	-	-	-	-	201,865	-	-	-	-	-	201,865
Investments	-	2,168,833	2,152,115	52,484	4,738,262	19,000	127,623	553,900	81,511	134,775	10,028,503
Total assets	\$ 4,947	\$ 2,180,866	\$ 2,164,251	\$ 52,486	\$ 4,969,366	\$ 19,000	\$ 128,089	\$ 559,442	\$ 81,511	\$ 135,397	\$ 10,295,355
LIABILITIES AND NET ASSETS											
LIABILITIES											
Accounts payable and accrued expenses	\$ 4,947	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,947
Funds held for others	-	-	-	52,486	-	-	-	-	-	-	52,486
Total liabilities	4,947	-	-	52,486	-	-	-	-	-	-	57,433
NET ASSETS											
Temporarily restricted											
Catholic School and Education Endowment Fund	-	383,608	-	-	-	-	-	-	-	-	383,608
Priests' Care Fund	-	-	397,087	-	-	-	-	-	-	-	397,087
Seminarian Scholarship	-	-	-	-	3,236,569	-	-	-	-	-	3,236,569
Brady Trust Fund	-	-	-	-	-	19,000	-	-	-	-	19,000
Kuhn Trust Fund	-	-	-	-	-	-	128,089	-	-	-	128,089
East Africa Mission	-	-	-	-	-	-	-	559,442	-	-	559,442
Hacker Trust Fund	-	-	-	-	-	-	-	-	81,511	-	81,511
Catholic Relief Fund	-	-	-	-	-	-	-	-	-	135,397	135,397
Total temporarily restricted	-	383,608	397,087	-	3,236,569	19,000	128,089	559,442	81,511	135,397	4,940,703
Permanently restricted											
Catholic School and Education Endowment Fund	-	1,797,258	-	-	-	-	-	-	-	-	1,797,258
Priests' Care Fund	-	-	1,767,164	-	-	-	-	-	-	-	1,767,164
Seminarian Scholarship	-	-	-	-	1,732,797	-	-	-	-	-	1,732,797
Total permanently restricted	-	1,797,258	1,767,164	-	1,732,797	-	-	-	-	-	5,297,219
Total net assets	-	2,180,866	2,164,251	-	4,969,366	19,000	128,089	559,442	81,511	135,397	10,237,922
Total liabilities and net assets	\$ 4,947	\$ 2,180,866	\$ 2,164,251	\$ 52,486	\$ 4,969,366	\$ 19,000	\$ 128,089	\$ 559,442	\$ 81,511	\$ 135,397	\$ 10,295,355

See Notes to Financial Statements

**PROVISION FOR THE FUTURE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

	Catholic School and Education Endowment Fund			Priests' Care Fund			Seminarian Scholarship		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
SUPPORT AND REVENUE									
Contributions and bequests									
Other contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,037	\$ -
Investment and interest income	-	54,139	-	-	56,772	-	-	126,325	-
Realized and unrealized gain (loss) on investments	-	(13,027)	-	-	(14,084)	-	-	7,407	-
Funds released from restrictions	111,557	(111,557)	-	111,696	(111,696)	-	252,817	(252,817)	-
Total support and revenue	111,557	(70,445)	-	111,696	(69,008)	-	252,817	(61,048)	-
EXPENSES									
Administrative expenses	20,761	-	-	20,660	-	-	45,269	-	-
Funds released to programs	90,796	-	-	91,036	-	-	207,548	-	-
Total expenses	111,557	-	-	111,696	-	-	252,817	-	-
(DECREASE) INCREASE IN NET ASSETS	-	(70,445)	-	-	(69,008)	-	-	(61,048)	-
NET ASSETS, BEGINNING OF YEAR	-	383,608	1,797,258	-	397,087	1,767,164	-	3,236,569	1,732,797
NET ASSETS, END OF YEAR									
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Temporarily restricted	\$ -	\$ 313,163	\$ -	\$ -	\$ 328,079	\$ -	\$ -	\$ 3,175,521	\$ -
Permanently restricted	\$ -	\$ -	\$ 1,797,258	\$ -	\$ -	\$ 1,767,164	\$ -	\$ -	\$ 1,732,797

See Notes to Financial Statements

PROVISION FOR THE FUTURE
STATEMENT OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

	Brady Trust Fund		Kuhn Trust Fund		East Africa Mission		Hacker Trust Fund		Catholic Relief Fund		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
SUPPORT AND REVENUE											
Contributions and bequests											
Other contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,037
Investment and interest income	-	-	-	1,218	-	22,207	-	701	-	4,014	265,376
Realized and unrealized gain (loss) on investments	-	-	-	(305)	-	5,861	-	(1,157)	-	1,838	(13,467)
Funds released from restrictions	-	-	3,734	(3,734)	107,316	(107,316)	15,225	(15,225)	8,899	(8,899)	-
Total support and revenue	-	-	3,734	(2,821)	107,316	(79,248)	15,225	(15,681)	8,899	(3,047)	309,946
EXPENSES											
Administrative expenses	-	-	-	-	2,913	-	362	-	1,899	-	91,864
Funds released to programs	-	-	3,734	-	104,403	-	14,863	-	7,000	-	519,380
Total expenses	-	-	3,734	-	107,316	-	15,225	-	8,899	-	611,244
(DECREASE) INCREASE IN NET ASSETS	-	-	-	(2,821)	-	(79,248)	-	(15,681)	-	(3,047)	(301,298)
NET ASSETS, BEGINNING OF YEAR	-	19,000	-	128,089	-	559,442	-	81,511	-	135,397	10,237,922
NET ASSETS, END OF YEAR											
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Temporarily restricted	\$ -	\$ 19,000	\$ -	\$ 125,268	\$ -	\$ 480,194	\$ -	\$ 65,830	\$ -	\$ 132,350	\$ 4,639,405
Permanently restricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,297,219

See Notes to Financial Statements

PROVISION FOR THE FUTURE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011

	Catholic School and Education Endowment Fund			Priests' Care Fund			Seminarian Scholarship		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
SUPPORT AND REVENUE									
Contributions and bequests									
Other contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 265,351	\$ -
Investment and interest income	-	56,479	-	-	59,366	-	-	137,851	-
Realized and unrealized gain (loss) on investments	-	347,339	-	-	346,277	-	-	686,227	-
Funds released from restrictions	69,186	(69,186)	-	113,127	(113,127)	-	258,948	(258,948)	-
Total support and revenue	69,186	334,632	-	113,127	292,516	-	258,948	830,481	-
EXPENSES									
Administrative expenses	20,236	-	-	20,505	-	-	44,792	-	-
Funds released to programs	48,950	-	-	92,622	-	-	214,156	-	-
Total expenses	69,186	-	-	113,127	-	-	258,948	-	-
(DECREASE) INCREASE IN NET ASSETS	-	334,632	-	-	292,516	-	-	830,481	-
NET ASSETS, BEGINNING OF YEAR	-	48,976	1,797,258	-	104,571	1,767,164	-	2,406,088	1,732,797
NET ASSETS, END OF YEAR									
Unrestricted	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Temporarily restricted	\$ -	\$ 383,608	\$ -	\$ -	\$ 397,087	\$ -	\$ -	\$ 3,236,569	\$ -
Permanently restricted	\$ -	\$ -	\$ 1,797,258	\$ -	\$ -	\$ 1,767,164	\$ -	\$ -	\$ 1,732,797

See Notes to Financial Statements

PROVISION FOR THE FUTURE
STATEMENT OF ACTIVITIES - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

	Brady Trust Fund		Kuhn Trust Fund		East Africa Mission		Hacker Trust Fund		Catholic Relief Fund		Total
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted	
SUPPORT AND REVENUE											
Contributions and bequests											
Other contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,850	\$ -	\$ -	\$ -	\$ -	\$ 359,201
Investment and interest income	-	-	-	3,664	-	23,740	-	1,759	-	5,247	288,106
Realized and unrealized gain (loss) on investments	-	-	-	47	-	(2,571)	-	13,504	-	1,373	1,392,196
Funds released from restrictions	-	-	3,986	(3,986)	102,703	(102,703)	1,159	(1,159)	8,938	(8,938)	-
Total support and revenue	-	-	3,986	(275)	102,703	12,316	1,159	14,104	8,938	(2,318)	2,039,503
EXPENSES											
Administrative expenses	-	-	1,048	-	6,060	-	-	-	1,938	-	94,579
Funds released to programs	-	-	2,938	-	96,643	-	1,159	-	7,000	-	463,468
Total expenses	-	-	3,986	-	102,703	-	1,159	-	8,938	-	558,047
(DECREASE) INCREASE IN NET ASSETS	-	-	-	(275)	-	12,316	-	14,104	-	(2,318)	1,481,456
NET ASSETS, BEGINNING OF YEAR	-	19,000	-	128,364	-	547,126	-	67,407	-	137,715	8,756,466
NET ASSETS, END OF YEAR											
Unrestricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Temporarily restricted	<u>\$ -</u>	<u>\$ 19,000</u>	<u>\$ -</u>	<u>\$ 128,089</u>	<u>\$ -</u>	<u>\$ 559,442</u>	<u>\$ -</u>	<u>\$ 81,511</u>	<u>\$ -</u>	<u>\$ 135,397</u>	<u>\$ 4,940,703</u>
Permanently restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,297,219</u>

See Notes to Financial Statements

PROVISION FOR THE FUTURE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (301,298)	\$ 1,481,456
Adjustments to reconcile changes in net assets to net cash provided (used) for operating activities:		
Realized and unrealized (gain) loss on investments	13,467	(1,392,196)
Effects on operating cash flow due to changes in:		
Accounts/pledges receivable	3	997
Interest receivable	4,395	6,345
Due from other funds	(48,412)	(176,780)
Accounts payable and accrued expenses	59,897	(2,264)
Funds held for others	(795)	(904)
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(272,743)</u>	<u>(83,346)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(2,904,564)	(2,320,125)
Proceeds from sale of investments	3,190,131	2,404,293
CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>285,567</u>	<u>84,168</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	12,824	822
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>4,947</u>	<u>4,125</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 17,771</u>	<u>\$ 4,947</u>

See Notes to Financial Statements

PROVISION FOR THE FUTURE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Provision for the Future (the Provision) was incorporated January 1, 2004. The purpose of the Provision is to receive and administer funds to be used for Roman Catholic charitable purposes.

Financial statement presentation

Financial statement presentation follows the recommendations of the Accounting Standards Codification Topic 958, Accounting for Not-for-Profit Entities. The codification requires the Provision to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The Provision has unrestricted, temporarily restricted, and permanently restricted net assets.

Method of accounting and revenue recognition

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America, ("GAAP"), as codified by the Financial Accounting Standards Board. As a result, the Provision recognizes revenue in the period earned.

Funds Held for Others

Elmer Rapp Fund – This trust fund was established by a gift from Elmer Rapp. The annual income may be used to provide post-secondary education to Hidatsu, Arikara, or Mandan Indian students who have graduated from high schools in the surrounding areas with preference for the Fort Berthold Reservation high schools.

Temporarily Restricted Net Assets

Kathleen Brady Trust Fund – This trust was established by a gift from Sister Kathleen Brady. The annual income is to be used to provide subsidies to Catholic Schools in the Diocese.

Catholic Relief Fund – This fund was established in September 2003 through a bequest to the Diocese of Bismarck. The Last Will and Testament required that the funds be distributed to charity. The Last Will and Testament further states that the Bishop of the Roman Catholic Diocese of Bismarck is the trustee and has the discretion to invade the principal of the fund for catholic relief services for which the trust was established.

Seminarian Scholarship Fund – These net assets consist of contributions for seminarian scholarships.

East Africa Mission Fund – These net assets consist of contributions for the East African Mission.

PROVISION FOR THE FUTURE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012 AND 2011

Hacker Trust Fund – This fund, established by a gift from Bishop Hacker, provides that the annual earnings be paid to Christ the King School, Mandan, North Dakota so long as it is maintained as an eight-grade elementary school. If it should cease to operate as such the fund is to be paid over to the Diocese of Bismarck.

John Kuhn Trust Fund – This trust fund was established by a gift from Reverend John Kuhn. The annual income is to be paid to Christ the King School, Mandan, North Dakota for its operation. If the school ceases to operate as a parish school, the remainder of the trust shall be distributed to the Diocese of Bismarck and the trust terminated.

Permanently Restricted Net Assets

Catholic School and Education Endowment Fund, Priests' Care Fund and Seminarian Scholarship Fund – These endowment funds were received from the capital campaign, "A Vision for the Future: Strengthening the Foundation." A portion of this campaign is for the support of the Seminarian Scholarship Fund, Priests' Care Fund, and a Catholic Schools and Parish Religious Education Endowment Fund.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other 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 (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

Permanently restricted net assets are to be held in perpetuity in accordance with the donor's restrictions. Earnings from the investment of these net assets are recorded as temporarily restricted net assets in accordance with the donor's restrictions as to use and in accordance with accounting principles generally accepted in the United States of America.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

The Provision recognizes gains and losses on an investment in the designation or restriction owning the investment using the historical cost for that specific investment. Ordinary income from an investment is recorded in the designation or restriction owning the investment.

PROVISION FOR THE FUTURE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012 AND 2011

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting period. Accordingly, actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets whose use is limited or restricted.

Concentrations of Risk

The Provision's cash balances are maintained in various bank deposit accounts. Periodically, the Provision has deposits that are in excess of federally insured limits on a temporary basis.

Accounts/Pledges receivable as of June 30, 2012 and 2011 are due from Catholic parishes and associated individuals located in western North Dakota.

Receivables and Allowance for Uncollectible Receivables

Accounts receivables are uncollateralized obligations due under normal trade terms requiring payment within 30 days from the invoice date. The receivables are non-interest bearing. Payments on accounts receivables are applied to the earliest unpaid amounts. The carrying amount of the accounts receivables is reduced by an amount that reflects management's best estimate of the amounts that will not be collected.

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Bad debts are charged against the allowance when management believes the uncollectibility of an accounts receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for doubtful accounts is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the accounts receivable in light of historical experience, the nature and volume of the portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available.

An accounts receivable is considered impaired when, based on current information and events, it is probable that the Provision will be unable to collect the scheduled payments of principal when due according to the contractual terms of the pledge agreement. Factors considered by management in determining impairment include payment status, and the probability of collecting scheduled principal payments when due. Accounts receivable that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis,

PROVISION FOR THE FUTURE
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012 AND 2011

taking into consideration all of the circumstances surrounding the accounts receivable and the prior payment record, and the amount of the shortfall in relation to the principal owed.

Annuities Receivable

This is the amount of charitable gift annuities receivable held on behalf of another organization to be paid out to the Provision as of June 30, 2012.

Fair Value Measurements

The Provision follows Accounting Standards Codification Topic 820, Fair Value Measurements. This standard applies to all assets and liabilities that are being measured and reported on a fair value basis. It defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are carried at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1 : Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

The application of valuation techniques applied to similar assets and liabilities has been consistently applied. The following is a description of the valuation methodologies used for instruments measured at fair value:

Investments

The fair value of investments is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Income Taxes

The Provision is exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The Provision is deemed to be a church related organization and as such is not required to file an annual informational tax return to the Internal Revenue Service.

The Provision's policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions, and other evidence.

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JUNE 30, 2012 AND 2011

NOTE 2 ACCOUNTS/PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2012 and 2011 consist of amounts pledged as payable upon death of the donor as a result of the "A Vision for the Future Capital Campaign". The receivable is shown net of discounts and allowance of \$6,406 at June 30, 2012 and 2011.

NOTE 3 INVESTMENTS

Investments are stated at fair value and are summarized as follows as of June 30, 2012 and 2011:

June 30, 2012

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 338,434	\$ 338,434
Certificates of deposit	125,000	125,268
Equities:		
U.S. large cap	1,867,418	2,729,797
U.S. mid cap	1,101,561	1,481,495
U.S. small cap	319,665	399,554
CGCM high yield	4,291	4,301
International developed/emerging markets	424,960	524,005
Fixed Income:		
Investment grade taxable	3,200,230	3,418,102
International developed bonds	265,912	289,225
Fixed income other	40,669	41,995
Public REITs	253,578	239,536
Commodities	83,153	88,396
Life insurance and other	49,361	49,361
	<u>\$8,074,232</u>	<u>\$ 9,729,469</u>

The Provision had a net realized gain of \$118,557 for the year ended June 30, 2012. For the same period, the Provision had an unrealized loss on investments of \$132,024.

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JUNE 30, 2012 AND 2011

June 30, 2011

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 728,180	\$ 728,180
Certificates of deposit	126,392	126,392
Equities:		
U.S. large cap	1,623,250	2,408,447
U.S. mid cap	1,101,054	1,626,291
U.S. small cap	389,204	446,046
CGCM high yield	5,073	5,201
International developed/emerging markets	487,963	711,146
Fixed Income:		
Investment grade taxable	3,125,158	3,309,083
International developed bonds	225,131	233,589
Fixed income other	129,586	118,943
Public REITs	169,918	163,058
Commodities	83,153	103,906
Life insurance and other	48,221	48,221
	<u>\$8,242,283</u>	<u>\$10,028,503</u>

The Provision had a net realized gain of \$263,451 for the year ended June 30, 2011. For the same period, the Provision had an unrealized gain on investments of \$1,128,745.

NOTE 4 FAIR VALUE MEASUREMENTS

Assets measured at fair value on a recurring basis as of June 30, 2012 are summarized as follows:

Description	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 338,434	\$ 338,434	\$ -	\$ -
Certificates of deposit	125,268	-	125,268	-
Equities:	-	-	-	-
U.S. large cap	2,729,797	2,729,797	-	-
U.S. mid cap	1,481,495	1,481,495	-	-
U.S. small cap	399,554	399,554	-	-
CGCM high yield	4,301	4,301	-	-
International developed/emerging markets	524,005	524,005	-	-
Fixed Income:				
Investment grade taxable	3,418,102	-	3,418,102	-
International developed bonds	289,225	-	289,225	-
Fixed income other	41,995	-	41,995	-
Public REITs	239,536	239,536	-	-
Commodities	88,396	88,396	-	-
Life insurance and other	49,361	-	49,361	-
	<u>\$ 9,729,469</u>	<u>\$ 5,805,518</u>	<u>\$ 3,923,951</u>	<u>\$ -</u>

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JUNE 30, 2012 AND 2011

Assets measured at fair value on a recurring basis as of June 30, 2011 are summarized as follows:

June 30, 2011				
Description	Total Carrying Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money market funds	\$ 728,180	\$ 728,180	\$ -	\$ -
Certificates of deposit	126,392	-	126,392	-
Equities:				
U.S. large cap	2,408,447	2,408,447	-	-
U.S. mid cap	1,626,291	1,626,291	-	-
U.S. small cap	446,046	446,046	-	-
CGCM high yield	5,201	5,201	-	-
International developed/emerging markets	711,146	711,146	-	-
Fixed Income:				
Investment grade taxable	3,309,083	-	3,309,083	-
International developed bonds	233,589	-	233,589	-
Fixed income other	118,943	-	118,943	-
Public REITs	163,058	163,058	-	-
Commodities	103,906	103,906	-	-
Life insurance and other	48,221	-	48,221	-
	<u>\$10,028,503</u>	<u>\$ 6,192,275</u>	<u>\$3,836,228</u>	<u>\$ -</u>

NOTE 5 INCOME TAXES

It is the opinion of management that the Provision has no significant uncertain tax positions that would be subject to change upon examination.

NOTE 6 ENDOWMENT FUNDS

Donor-designated:

The Provision's endowments consist of 3 individual funds established for a variety of purposes. Its endowments include donor-restricted funds. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Provision has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 Provision 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) 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 Provision in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Provision considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration

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and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 Provision, and (7) the Provision's investment policies.

Investment Return Objectives, Risk Parameters and Strategies:

The Provision has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return.

Spending Policy: The Provision does not have a spending policy.

Endowment Net Asset Composition by Type of Fund as of June 30, 2012 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor restricted endowment funds	\$ -	\$ 1,418,696	\$ 5,297,219	\$ 6,715,915
Board designated endowment funds	-	-	-	-
Total funds	<u>\$ -</u>	<u>\$ 1,418,696</u>	<u>\$ 5,297,219</u>	<u>\$ 6,715,915</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2011 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Donor restricted endowment funds	\$ -	\$ 1,587,846	\$ 5,297,219	\$ 6,885,065
Board designated endowment funds	-	-	-	-
Total funds	<u>\$ -</u>	<u>\$ 1,587,846</u>	<u>\$ 5,297,219</u>	<u>\$ 6,885,065</u>

Changes in endowment net assets as of June 30, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 1,587,846	\$ 5,297,219	\$ 6,885,065
Contributions	-	-	-	-
Investment income	-	142,415	-	142,415
Net appreciation	-	(25,264)	-	(25,264)
Amounts appropriated for expenditures	-	(286,302)	-	(286,302)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,418,696</u>	<u>\$ 5,297,219</u>	<u>\$ 6,715,915</u>

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Changes in endowment net assets as of June 30, 2011 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total Net Endowment Assets</u>
Endowment net assets, beginning of year	\$ -	\$ 395,568	\$ 5,297,219	\$ 5,692,787
Contributions	-	-	-	-
Investment income	-	253,696	-	253,696
Net appreciation	-	1,379,843	-	1,379,843
Amounts appropriated for expenditures	-	(441,261)	-	(441,261)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 1,587,846</u>	<u>\$ 5,297,219</u>	<u>\$ 6,885,065</u>

NOTE 7 FUTURE CHANGE IN ENTITY NAME AND ACTIVITY

Effective July 1, 2013 the Provision will become the Catholic Foundation for the People of the Diocese of Bismarck.

NOTE 8 SUBSEQUENT EVENTS

No significant events occurred subsequent to the Provision's year end. Subsequent events have been evaluated through October 19, 2012, which is the date these financial statements were available to be issued.