

**Audited
Financial Statements**

**Blessed John XXIII
National Seminary, Inc.**

June 30, 2008

Blessed John XXIII National Seminary, Inc.

Audited Financial Statements

June 30, 2008

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INDEPENDENT AUDITORS' REPORT

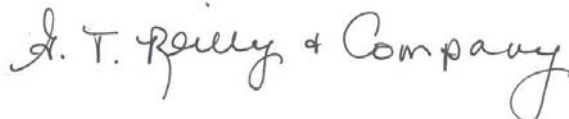
To the Trustees
Blessed John XXIII National Seminary, Inc.

We have audited the accompanying statements of financial position of Blessed John XXIII National Seminary, Inc. as of June 30, 2008 and 2007, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Seminary'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Blessed John XXIII National Seminary, Inc. at June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2009, on our consideration of Blessed John XXIII National Seminary, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



G. T. Reilly & Company

Milton, Massachusetts
March 23, 2009

Blessed John XXIII National Seminary, Inc.

Statements of Financial Position

June 30

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 1,794,303	\$ 1,809,859
Interest and dividends receivable	49,333	51,090
Contributions receivable	25,373	25,701
Inventories (Note 1)	15,000	10,500
Prepaid expenses	26,637	26,118
Investments at fair value (Notes 1 & 2)	4,869,346	4,862,567
Interest in net assets of the Catholic Foundation (Notes 1 & 3)	2,298,171	2,780,470
Property and equipment, net (Notes 1 & 4)	<u>1,584,201</u>	<u>1,384,282</u>
 TOTAL ASSETS	 <u><u>\$ 10,662,364</u></u>	 <u><u>\$ 10,950,587</u></u>
 <u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 132,642</u>	<u>\$ 49,820</u>
 Net Assets (Notes 1 & 8):		
Unrestricted:		
Board designated for capital improvements	1,330,823	1,062,937
Board designated as endowments	359,318	315,317
Undesignated	<u>1,878,611</u>	<u>2,199,042</u>
	<u>3,568,752</u>	<u>3,577,296</u>
 Temporarily restricted	 3,892,398	 4,634,999
Permanently restricted	<u>3,068,572</u>	<u>2,688,472</u>
	<u>10,529,722</u>	<u>10,900,767</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 10,662,364</u></u>	 <u><u>\$ 10,950,587</u></u>

Blessed John XXIII National Seminary, Inc.

Statements of Activities

Year Ended June 30

	2008				2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS & OTHER SUPPORT								
Tuition (Note 5)	\$ 1,035,250	\$ -	\$ -	\$ 1,035,250	\$ 1,177,300	\$ -	\$ -	\$ 1,177,300
Fundraising - special events	264,495	0	0	264,495	236,633	0	0	236,633
Gifts and bequests	524	70,000	0	70,524	306,778	70,000	180,000	556,778
Contributions	486,227	0	380,100	866,327	419,016	0	201,025	620,041
Investment interest and dividends	125,297	120,915	0	246,212	122,909	109,716	0	232,625
Miscellaneous income	89	0	0	89	1,978	0	0	1,978
Matching gifts	228,600	0	0	228,600	206,875	0	0	206,875
Contributed services (Notes 1 & 7)	332,996	0	0	332,996	407,040	0	0	407,040
Net realized and unrealized gains (losses) on investments (Note 1)	(217,484)	(313,130)	0	(530,614)	136,147	260,441	0	396,588
Interest in change in net assets of the Catholic Foundation (Notes 1 & 3)	0	(100,187)	0	(100,187)	0	218,973	0	218,973
Net assets released from restrictions through satisfaction of use restrictions (Note 8)	520,199	(520,199)	0	0	124,569	(124,569)	0	0
TOTAL REVENUES, GAINS & SUPPORT	2,776,193	(742,601)	380,100	2,413,692	3,139,245	534,561	381,025	4,054,831
EXPENSES								
Instruction	627,972	0	0	627,972	627,045	0	0	627,045
Library	122,903	0	0	122,903	118,746	0	0	118,746
Student activities	5,949	0	0	5,949	2,434	0	0	2,434
Administrative – General	735,154	0	0	735,154	642,553	0	0	642,553
Operation & maintenance of plant	378,396	0	0	378,396	323,905	0	0	323,905
Development	281,764	0	0	281,764	280,080	0	0	280,080
Household expenses	504,317	0	0	504,317	483,903	0	0	483,903
Depreciation	128,282	0	0	128,282	114,592	0	0	114,592
TOTAL EXPENSES	2,784,737	0	0	2,784,737	2,593,258	0	0	2,593,258
INCREASE (DECREASE) IN NET ASSETS	(8,544)	(742,601)	380,100	(371,045)	545,987	534,561	381,025	1,461,573
NET ASSETS AT BEGINNING OF YEAR	3,577,296	4,634,999	2,688,472	10,900,767	3,031,309	4,100,438	2,307,447	9,439,194
NET ASSETS AT END OF YEAR	\$ 3,568,752	\$ 3,892,398	\$ 3,068,572	\$ 10,529,722	\$ 3,577,296	\$ 4,634,999	\$ 2,688,472	\$ 10,900,767

Blessed John XXIII National Seminary, Inc.

Statements of Cash Flows

For the Year Ended June 30

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	\$ (371,045)	\$ 1,461,573
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	128,282	114,592
Net realized and unrealized gains on investments	530,614	(396,588)
Interest in change in net assets of the Catholic Foundation	100,187	(218,973)
Transfer of assets from the Catholic Foundation	382,112	46,545
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	1,757	(9,969)
Prepaid expenses and other assets	(519)	(273)
Contributions and other receivables	328	73,767
Inventories	(4,500)	0
Accounts payable and accrued expenses	82,822	(70,041)
	<u>850,038</u>	<u>1,000,633</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(328,201)	(238,139)
Purchase of investments, net	(537,393)	(462,215)
	<u>(865,594)</u>	<u>(700,354)</u>
NET CASH APPLIED TO INVESTING ACTIVITIES		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(15,556)	300,279
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,809,859</u>	<u>1,509,580</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,794,303</u>	<u>\$ 1,809,859</u>

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements

June 30, 2008

Note 1 - Principal Activity and Summary of Significant Accounting Policies

Principal Activity - The Seminary is a Roman Catholic, professional and graduate theological school dedicated primarily to the intellectual, cultural and spiritual preparation of second-career seminarians for the priesthood.

Financial Statement Presentation - The Seminary reports information regarding its financial position and activities according to three classes of net assets as determined by donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. See Note 8 regarding restrictions on net assets. Board-designated net assets are included in unrestricted net assets and consist of net assets designated by the Board of Trustees for capital improvements, and as amounts endowed to provide a permanent source of income.

Accounting 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 certain reported amounts of assets, liabilities, revenues, expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Cash Equivalents - The Seminary considers short-term, highly-liquid investments with original maturities of three months or less to be cash equivalents.

Receivables - Contributions receivable do not include an allowance for doubtful accounts, as one was not considered necessary by management at June 30, 2008 or 2007.

Inventories - Inventories are valued at the lower of cost or market value based on the first-in, first-out (FIFO) method, and consist of books and related supplies.

Investments - The Seminary reports investments in equity securities, including mutual funds, at market value. Increases or decreases in the market value are reflected currently in the statement of activities (see Note 2).

Property and Equipment - Property and equipment are stated at cost. Property contributed by the Roman Catholic Archdiocese of Boston in 1997 is stated at the net book value of the Archdiocese at the time of the contribution. Maintenance and repairs are expensed as incurred, whereas major purchases are capitalized (see Note 4).

Depreciation has been calculated and provided over the estimated useful lives of the respective assets on a straight-line basis. Estimated useful lives are summarized as follows:

<u>Estimated Useful Lives</u>	
Building and building improvements	15 - 40 years
Furniture and equipment	5 years
Motor vehicles	5 years

Contributions and Donor Restrictions - The Seminary reports contributions of cash or other assets as restricted support, thereby increasing temporarily restricted net assets, if they are received with donor stipulations that limit, specify or otherwise restrict the use of such contributions. When a donor restriction expires, either by use of the funds for the specified purpose or by the expiration of a time restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements (Cont.)

June 30, 2008

Note 1 - Principal Activity and Summary of Significant Accounting Policies (Cont.)

Contributions and Donor Restrictions (Cont.)

Endowment funds established by donor restrictions to permanently maintain the principal, while allowing the use of income generated therefrom, are classified as permanently restricted net assets. Income derived from the investment of endowment funds (interest and dividends) is reported as unrestricted revenue or as temporarily restricted revenue depending on the terms of the donor instrument.

Under Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations", and Massachusetts General Laws, unrealized gains or losses from endowment fund investments are reported as increases or decreases in temporarily restricted net assets unless the donor explicitly states otherwise.

Contributed Services - The Seminary recognizes contributions of services received as support in the statement of activities with an equal amount recognized as expense if the services provided require special skills and would need to be purchased by the Seminary if not contributed (see Note 7).

Accounting for Assets Held by Others - The Seminary follows the provisions of Statement of Financial Accounting Standards No. 136, "Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others" (SFAS No. 136). The statement requires the Seminary to recognize as an asset its interest in the net assets of other related organizations who hold funds that have been donated for the benefit of the Seminary. Additionally, the statement requires the Seminary to adjust the interest for its share of the change in the related organization's net assets via a charge or credit to its statement of activities. Transfers of funds from the related organization are reported as reductions to the Seminary's recorded interest (see Note 3).

Income Tax - The Seminary is included in the United States Catholic Conference Group Ruling and in the Official Catholic Directory and is therefore exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements.

Note 2 - Investments

Investments consist of the following at June 30:

	2008		2007	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common Investment Fund, Roman Catholic Archbishop of Boston	<u>\$4,072,481</u>	<u>\$4,869,346</u>	<u>\$3,529,978</u>	<u>\$4,862,567</u>

The investment in the Common Investment Fund represents shares in a mutual fund established by the Roman Catholic Archbishop of Boston, a Corporation Sole, to provide a common investment pool in which it and other Catholic organizations may participate. The participants own units based upon a per-unit value at the time of purchase. The Common Investment Fund incurs service fees from the Corporation Sole for administrative and clerical services performed on behalf of the fund. These fees are reflected in the calculation of the value per unit.

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements (Cont.)

June 30, 2008

Note 2 - Investments (Cont.)

The Seminary currently receives a quarterly distribution from the Common Investment Fund equaling 1% (4% annually) of the prior quarter's fair market value. Dividend income from these investments totaled \$200,124 and \$172,017 for the years ended June 30, 2008 and 2007, respectively.

These mutual funds are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with certain investment securities, and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the fair values of amounts reported in the Statement of Financial Position and the Statement of Activities and Changes in Net Assets.

Subsequent Decline in Market Value of Investments – Since the date of the accompanying financial statements, June 30, 2008, the Seminary's investments depreciated in value by approximately \$1,178,000 (24%) through February 28, 2009 (including gains and losses on investments bought and sold, as well as held during the period) as a result of a volatile stock market and a tightening of the credit market.

Note 3 – Interest in the Catholic Foundation of the Archdiocese of Boston, Inc. ("Foundation")

The Seminary is the beneficiary of restricted donations collected on its behalf by the Foundation, a related party. As discussed in Note 1, "Accounting for Assets Held by Others", the Seminary has recorded as an asset its interest in the Foundation's net assets, approximately \$2,298,000 at June 30, 2008 (\$2,780,000 at June 30, 2007). The change in the Seminary's interest is reflected in the statement of activities as a decrease in net assets of \$101,187 in 2008, and as an increase in net assets of \$218,973 in 2007. Transfers of funds from the Foundation totaled \$382,112 and \$46,545 for the years ended June 30, 2008 and 2007, respectively.

Note 4 - Property and Equipment

	<u>2008</u>	<u>2007</u>
Land	\$ 116,140	\$ 116,140
Building	424,903	424,903
Building improvements	1,519,291	1,204,822
Furniture and equipment	920,558	906,826
Motor vehicles	<u>29,072</u>	<u>29,072</u>
	3,009,964	2,681,763
Less accumulated provisions for depreciation	<u>1,425,763</u>	<u>1,297,481</u>
	<u>\$1,584,201</u>	<u>\$1,384,282</u>

Depreciation expense totaled \$128,282 and \$114,592 for the years ended June 30, 2008 and 2007, respectively.

Note 5 - Related Party Transactions

The Seminary received \$184,500 in 2008 (\$195,000 in 2007) from the Archdiocese of Boston, representing tuition for registered Boston students.

During the years ended June 30, 2008 and 2007, the Seminary was charged \$167,840 and \$161,629, respectively, for health, life, disability and property insurance administered by the Roman Catholic Archdiocese of Boston, A Corporation Sole.

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements (Cont.)

June 30, 2008

Note 6 - Employee Pension Plan

The Seminary participates with other Catholic organizations in a multi-employer, noncontributory, defined benefit pension plan covering substantially all lay employees. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the "Pension Plan"). The Seminary's employees comprise less than 1% of all lay employees covered. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension expense allocated to the Seminary is based on payroll cost and amounted to \$43,000 and \$40,000 for the years ended June 30, 2008 and 2007, respectively.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the multi-employer Pension Plan and, accordingly, such information is not presented herein. The June 30, 2008 audited financial statements of the Pension Plan reflect approximately \$272 million in net assets available for benefits and \$301 million in accumulated plan benefits under the Pension Plan.

Note 7 - Contributed Services

For the years ended June 30, 2008 and 2007, the Seminary recorded contributions in the amount of \$332,996 and \$407,040, respectively, for the services performed by priests who serve as faculty. These amounts represent the differences between the actual compensation paid and the estimated compensation that would be paid to laypersons performing the same services (see Note 1).

Note 8 - Restricted Net Assets

Temporarily restricted net assets at June 30 consist of the following:

	<u>2008</u>	<u>2007</u>
Restricted for:		
Student scholarships	\$ 228,043	\$ 280,518
Foreign ministry students	109,147	96,820
Building renovations and operations	358,587	242,052
Masses	311,091	331,839
Needy students	66,151	64,317
Theology Chair	3,587	3,826
Pretheology Chair	3,872	-
Field education office and workshops	22,893	8,367
Promise for Tomorrow case statement	944,202	643,049
Interest in temporarily restricted net assets of the Catholic Foundation	<u>1,375,152</u>	<u>1,857,451</u>
	<u>3,422,725</u>	<u>3,528,239</u>
Unrealized gains and losses on investments related to permanently restricted net assets (Note 1)	<u>469,673</u>	<u>1,106,760</u>
	<u>\$ 3,892,398</u>	<u>\$ 4,634,999</u>

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements (Cont.)

June 30, 2008

Note 8 - Restricted Net Assets (Cont.)

Permanently restricted net assets at June 30 are restricted to investment in perpetuity, the income from which is expendable for specific purposes. Permanently restricted net assets consist of:

	<u>2008</u>	<u>2007</u>
Income restricted for:		
Student scholarships	\$ 236,321	\$ 236,221
Rector fund for needy students	35,000	35,000
Theology Chair	346,961	346,961
Field Education Director's Office	620,000	440,000
Pre-theology program	400,000	200,000
Operations	489,088	489,088
Promise for Tomorrow case statement	18,183	18,183
Interest in permanently restricted net assets of the Catholic Foundation	923,019	923,019
	<u>\$ 3,068,572</u>	<u>\$ 2,688,472</u>

During the years ended June 30, 2008 and 2007, net assets were released from donor restrictions by incurring expenses or by the occurrence of other events satisfying the restricted purposes, or by donors removing the restrictions, as follows:

	<u>2008</u>	<u>2007</u>
Student scholarships granted	\$ 340,740	\$ 30,000
Operating expenses incurred	102,985	-
Theology Chair	14,974	14,095
Foreign ministry student scholarships	61,500	24,500
Field education office and workshops		39,000
Development office expenses		16,974
	<u>\$ 520,199</u>	<u>\$ 124,569</u>

Note 9 - Financial Instruments and Concentrations of Credit Risk

The Seminary's financial instruments that potentially subject it to concentrations of credit risk consist of cash, investments and a beneficial interest in the net assets of a foundation.

The Seminary maintains its cash accounts in high quality financial institutions. At times, the amounts on deposit at any institution are in excess of insured limits. At June 30, 2008, the excess approximated \$1,537,000. Cash equivalents consist of uninsured money market accounts and approximate \$147,000 at June 30, 2008.

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements (Cont.)

June 30, 2008

Note 9 - Financial Instruments and Concentrations of Credit Risk (Cont.)

As more fully discussed in Note 2, the Seminary's investments consist solely of a common investment fund administered by the Roman Catholic Archdiocese of Boston in the amount of \$4,869,346 at June 30, 2008.

As more fully discussed in Note 3, the Seminary has a beneficial interest in the net assets of the Catholic Foundation in the approximate amount of \$2,298,000 at June 30, 2008.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Trustees
Blessed John XXIII National Seminary, Inc.

We have audited the financial statements of Blessed John XXIII National Seminary, Inc. as of and for the year ended June 30, 2008, and have issued our report thereon dated March 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Blessed John XXIII National Seminary, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Blessed John XXIII National Seminary, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Blessed John XXIII National Seminary, Inc.'s internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

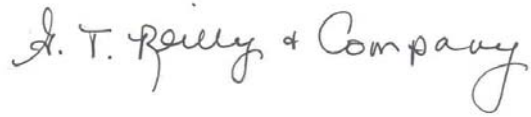
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Blessed John XXIII National Seminary, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Trustees and management of Blessed John XXIII National Seminary, Inc., and for federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "G. T. Reilly & Company". The signature is written in dark ink and is positioned above the printed name of the firm.

G. T. Reilly & Company

Milton, Massachusetts
March 23, 2009