**Audited
Financial Statements**

**Boston Catholic
Television Center, Inc.**

June 30, 2011

**(Restated Effective
November 23, 2011)**

G.T. Reilly
& Company
Certified Public Accountants/Business Consultants

Boston Catholic Television Center, Inc.

Audited Financial Statements

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Internationally,
Moore Stephens Reilly, PC

Reilly Consulting Group, Inc.

ReillyTech

Reilly Benefits

Reilly Business Services

424 Adams Street
Milton MA 02186-4358
617-696-8900
617-698-1803 fax
www.GTReilly.com

INDEPENDENT AUDITORS' REPORT

Board of Incorporators
Boston Catholic Television Center, Inc.

We have audited the accompanying statements of financial position of Boston Catholic Television Center, Inc. as of June 30, 2011 and 2010, and the related statements of activities and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Center'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 audit 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 Boston Catholic Television Center, Inc. as of June 30, 2011 and 2010, and the results of its activities and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, subsequent to the initial date of this report, management discovered an error in the reported fair value of a certain investment at June 30, 2011. Accordingly, the 2011 financial statements have been restated to correct the error.

G. T. Reilly & Company

G. T. Reilly & Company

Milton, Massachusetts
October 20, 2011, except for Notes 2, 3, 9 and 10, as
to which the date is November 23, 2011

Statements of Financial Position

June 30

	2011 (Restated - Note 2)	2010
Assets		
Cash and cash equivalents (Note 1)	**$ 899,421**	$ 2,625,392
Contributions and accounts receivable (Note 1)	**331,651**	78,557
Accrued lease revenue (Notes 1 & 5)	**4,813,547**	2,053,547
Accrued interest and dividends receivable	**131,762**	132,657
Investments at fair value, as restated for 2011 (Notes 1, 2 & 3)	**15,596,475**	14,957,266
Prepaid expenses and other assets	**85,012**	52,225
Due from affiliate (Note 8)	**100,000**	-
Property and equipment, net (Notes 1 & 4)	**12,546,307**	10,536,868
Goodwill (Notes 1 & 13)	**819,565**	-
TOTAL ASSETS	**$ 35,323,740**	$ 30,436,512
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	**$ 184,301**	$ 879,002
Due to affiliate (Note 8)	-	76,278
Note payable to affiliate (Note 8)	**820,555**	-
Deferred revenue (Note 1)	**515,991**	-
	1,520,847	955,280
Net Assets, As Restated for 2011 (Notes 1, 2 & 9)		
Unrestricted	**27,594,652**	23,969,042
Temporarily restricted	**1,183,241**	487,190
Permanently restricted	**5,025,000**	5,025,000
	33,802,893	29,481,232
TOTAL LIABILITIES AND NET ASSETS	**$ 35,323,740**	$ 30,436,512

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

Boston Catholic Television Center, Inc.

Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2011 (Restated - Note 2)				Year Ended June 30, 2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS & OTHER SUPPORT:								
Contributions	$ 1,586,174	$ 60,610	$ -	$ 1,646,784	$ 1,349,201	$ 73,000	$ -	$ 1,422,201
Legacies and bequests	1,994,864	14,102	-	2,008,966	442,031	-	-	442,031
Investment income	302,634	235,256	-	537,890	314,844	217,206	-	532,050
Educational programming & broadcasting (Note 5)	4,800,000	-	-	4,800,000	4,722,579	200,000	-	4,922,579
Printing and advertising revenue	535,983	-	-	535,983	-	-	-	-
Subscription and advertising revenue (Note 8)	1,083,649	-	-	1,083,649	-	-	-	-
Other (Note 8)	331,458	-	-	331,458	5,484	-	-	5,484
Net assets released from restrictions through satisfaction of program restrictions (Note 9)	404,373	(404,373)	-	-	392,785	(392,785)	-	-
Net realized & unrealized gains on investments, as restated (Notes 1 & 2)	1,198,753	790,456	-	1,989,209	1,013,932	280,943	-	1,294,875
TOTAL REVENUES, GAINS & OTHER SUPPORT	12,237,888	696,051	-	12,933,939	8,240,856	378,364	-	8,619,220
EXPENSES								
Salaries	2,935,158	-	-	2,935,158	1,580,380	-	-	1,580,380
Payroll taxes	196,844	-	-	196,844	103,416	-	-	103,416
Fringe Benefits	572,799	-	-	572,799	298,046	-	-	298,046
Fundraising	72,506	-	-	72,506	94,762	-	-	94,762
Broadcasting	858,492	-	-	858,492	788,950	-	-	788,950
Occupancy	251,933	-	-	251,933	250,138	-	-	250,138
Contract services	680,312	-	-	680,312	443,173	-	-	443,173
Supplies and materials	837,481	-	-	837,481	366,961	-	-	366,961
Maintenance of equipment	174,982	-	-	174,982	68,373	-	-	68,373
Postage	189,368	-	-	189,368	57,492	-	-	57,492
Legal and accounting	91,890	-	-	91,890	20,857	-	-	20,857
Service fees	59,666	-	-	59,666	4,049	-	-	4,049
Telecommunications	141,308	-	-	141,308	99,154	-	-	99,154
Sales commissions	69,408	-	-	69,408	-	-	-	-
Shipping and delivery	27,120	-	-	27,120	-	-	-	-
Marketing	187,575	-	-	187,575	126,233	-	-	126,233
Interest	35,268	-	-	35,268	-	-	-	-
Depreciation and amortization	1,038,161	-	-	1,038,161	727,842	-	-	727,842
Miscellaneous	192,007	-	-	192,007	107,451	-	-	107,451
TOTAL EXPENSES	8,612,278	-	-	8,612,278	5,137,277	-	-	5,137,277
INCREASE IN NET ASSETS, AS RESTATED	3,625,610	696,051	-	4,321,661	3,103,579	378,364	-	3,481,943
NET ASSETS AT BEGINNING OF YEAR	23,969,042	487,190	5,025,000	29,481,232	20,865,463	108,826	5,025,000	25,999,289
NET ASSETS AT END OF YEAR, AS RESTATED	$ 27,594,652	$ 1,183,241	$ 5,025,000	$ 33,802,893	$ 23,969,042	$ 487,190	$ 5,025,000	$ 29,481,232

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

Statements of Cash Flows

Year Ended June 30

	2011 (Restated - Note 2)	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets, as restated for 2011	**$ 4,321,661**	$ 3,481,943
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**1,038,161**	727,842
Net realized and unrealized gains on investments	**(1,989,209)**	(1,294,875)
Forgiveness of debt (Note 8)	**(76,278)**	-
Changes in operating assets and liabilities:		
Accounts receivable	**(214,809)**	31,108
Accrued lease revenue	**(2,760,000)**	(2,053,547)
Accrued interest and dividends receivable	**895**	(6,524)
Due from affiliate	**(100,000)**	-
Prepaid expenses and other assets	**(32,787)**	3,153
Accounts payable and accrued expenses	**(694,701)**	660,960
Deferred revenue	**515,991**	-
NET CASH PROVIDED FROM OPERATING ACTIVITIES	**8,924**	1,550,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of securities	**1,350,000**	2,200,000
Additions to property and equipment	**(2,919,450)**	(1,344,996)
Acquisition of business (Note 13)	**(986,000)**	-
NET CASH (USED IN) PROVIDED FROM INVESTING ACTIVITIES	**(2,555,450)**	855,004
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan from affiliate	**990,000**	-
Repayments on loan from affiliate	**(169,445)**	-
NET CASH PROVIDED FROM FINANCING ACTIVITIES	**820,555**	-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,725,971)**	2,405,064
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**2,625,392**	220,328
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 899,421**	$ 2,625,392

Supplemental Disclosure of Cash Flow Information

Cash paid for interest	**$ 35,268**	$ -

Noncash Investing and Financing Activities

Reduction in amount due to affiliate (Note 8)	**$ (76,278)**	$ -

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

Notes to Financial Statements

June 30, 2011

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities – Boston Catholic Television Center, Inc. (the "Corporation") provides religious and educational programs, publications, news media and other electronic and print communication services to the Roman Catholic community. Support for these services is provided by contributions from the general public. These services are provided under the brand names of CatholicTV® Network, iCatholic, CatholicTVjr, CatholicTV.com, The Pilot, PilotCatholicNews.com, Pilot Bulletins, Pilot Printing, Pilot New Media, Pilot Media Group, Pilot Catholic Directory, Catholic Media Secretariat & iCatholic Media.

Financial Statement Presentation - The Corporation 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 9).

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 and disclosures. Actual amounts could differ from those estimates.

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

Contributions and Accounts Receivable - Contributions and accounts receivable are due within one year and are stated net of an allowance for doubtful accounts, when considered necessary, which would be reported on the face of the Corporation's statement of financial position. The allowance is established via a provision for bad debts charged to operations. On a periodic basis, management evaluates its contributions and accounts receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on evaluations of the collectibility of individual accounts, the history of prior loss experience and on current economic conditions. Accounts are written off and charged against the allowance when management believes that the collectibility of the specific account is unlikely. The accompanying statements of financial position at June 30, 2011 and 2010 do not include an allowance for doubtful accounts as one was not considered necessary by management.

Investments - The Corporation's investments are carried at fair value (see Notes 2 & 3). Changes in fair value are reflected in the statement of activities as net realized and unrealized gains (losses) on investments.

Property and Equipment – Property and equipment are stated at cost. Maintenance, repairs and minor renewals and additions are expensed as incurred whereas major renewals and betterments are capitalized. When an asset is retired or disposed of, the related costs and allowances for depreciation or amortization are removed from the accounts and any gain or loss on the disposition is reflected in the statement of activities. Depreciation is provided over the estimated useful lives of the assets by using straight-line methods. The estimated useful lives used in the computation are as follows:

Assets	Estimated Useful Lives in Years
Building and renovations	40
Furniture, fixtures and equipment	7-10
Motor vehicles	5

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

Goodwill – The excess of purchase cost over the fair value of identifiable net assets obtained in the 2011 acquisition of a bulletin company (Note 13) was recorded at cost as goodwill. Goodwill is not amortized but rather is tested for impairment at least annually, or more frequently upon the occurrence of an event or when circumstances indicate that the recoverability of the goodwill is unlikely. The goodwill testing utilizes a two-step impairment analysis, whereby the carrying value of the division or the reporting unit is compared to its fair value. If the carrying value of the reporting unit is greater than its fair value, the second step is performed, where the implied fair value of goodwill is compared to its carrying value. If the carrying amount of goodwill exceeds its fair value, an impairment charge would be recognized via a charge to the statement of activities.

Deferred Revenue - Deferred revenue consists of subscription and advertisement revenues received in the current fiscal year or prior fiscal years that will be fulfilled through services performed in future fiscal years.

Contributions and Donor Restrictions - Contributions receivable that are unconditional promises to give to the Corporation are recognized as support in the period made at their fair values. Those that are pledged or expected to be collected after one year or over a period of years are recorded at the discounted present value of expected future cash flows. Subsequent accruals of the "interest" element of the receivable are also recorded as contributions.

The Corporation 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 (see Note 9).

Contributions received for the purpose of, or in connection with a campaign to raise funds for acquiring property or equipment, or renovating a facility, are reported as support, increasing temporarily restricted net assets. When the expenditures for the acquisition or renovations are incurred, the financial statements report a reduction in temporarily restricted net assets and an increase in unrestricted net assets.

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 is reported as unrestricted revenue or as restricted revenue depending on the terms of the donor instrument.

Under generally accepted accounting principles and Massachusetts General Laws, unrealized gains from endowment fund investments are reported as increases in temporarily restricted net assets unless the donor explicitly states otherwise. Unrealized losses are first recorded as reductions to temporarily restricted net assets derived from endowment funds then to unrestricted net assets (see Notes 9 & 10).

Contributed Services - Contributions of services to the Corporation are recognized as support with an equal amount recognized as expense if the services provided require special skills and would need to be purchased by the Corporation if not contributed (see Note 7).

Lease Revenue Recognition - The Corporation generates revenues through the leasing of its excess capacity for certain stations licensed by the Federal Communications Commission. When a lease agreement specifies uneven payments over its term that are not reflective of the availability or use of the air time, related rent revenue is nevertheless recognized evenly on a straight-line basis over the term of the lease by recording either an asset (“accrued lease revenue”) or a liability (“deferred lease revenue”) on the Corporation’s statement of financial position (see Note 5).

Income Tax Status - The Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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

Evaluation of Subsequent Events - Management has evaluated subsequent events involving the Corporation for potential recognition or disclosure in the accompanying financial statements. Subsequent events are events or transactions that occurred after June 30, 2011 up through October 20, 2011, the date the accompanying financial statements were available to be issued.

Note 2 - Investments

Investments consist of the following at June 30:

	2011		2010	
	Cost	**Fair Value** (Restated - See Below)	Cost	Fair Value
Common Investment Fund, Roman Catholic Archbishop of Boston	**$ 10,340,259**	**$ 13,082,331**	$ 11,358,661	$ 12,552,669
Money Market Fund, Roman Catholic Archbishop of Boston	**2,460,806**	**2,514,144**	2,390,340	2,404,597
	$ 12,801,065	**$ 15,596,475**	$ 13,749,001	$ 14,957,266

Investments represent the Corporation's unit holdings in the Common Investment Fund and the Money Market Fund, Roman Catholic Archbishop of Boston, A Corporation Sole, separate related entities established to provide common investment pools in which the Corporation and other related organizations may participate. The participants own units based upon a per-unit value at the time of purchase. The Common Investment Fund and the Money Market Fund incur service fees from the Corporation Sole for administrative and clerical services performed on behalf of the funds. These fees are reflected in the calculation of the value per unit. Dividend income from these investments totaled $533,510 and $525,731 for the years ended June 30, 2011 and 2010, respectively.

The Common Investment Fund invests nearly all of its funds in the RCAB Collective Investment Partnership (the "Investment Partnership"), the underlying investments of which are primarily equity and fixed-income securities (U.S. Government and agency securities, asset-backed securities and corporate bonds) owned either directly or indirectly through mutual funds and private entities. The fair value of the Investment Partnership's investments in actively-traded domestic securities is determined by State Street Corporation, which obtains bid price quotations from independent pricing services on most securities. Investments in traded foreign securities are fair valued by State Street Corporation at the mean between bid and asked prices. For those securities whose prices are not available through independent pricing services, fair value is estimated by bid price quotations obtained by State Street Corporation from principal makers in those securities or as determined in good faith by management. Investment holdings of private investment entities that are not actively traded are valued by the managers of these entities.

The Money Market Fund invests its funds in money market funds of two high-quality financial institutions and one publicly traded asset-backed bond held by State Street Corporation as the custodian. The estimated fair value is based on the underlying net asset value of the Fund as valued by the Roman Catholic Archbishop of Boston.

The Fixed Income Fund was liquidated in its entirety in January of 2010 by the Roman Catholic Archbishop of Boston. Investments in these funds were transferred into the Money Market Fund.

Note 2 – Investments (Cont.)

The Corporation's investments (including investments bought, sold and held during the year) appreciated in value as follows during the years ended June 30:

	2011 (Restated)	2010
Common Investment Fund, Roman Catholic Archbishop of Boston	**$ 1,879,662**	$ 1,024,059
Money Market Fund, Roman Catholic Archbishop of Boston	**109,547**	14,257
Fixed Income Fund, Roman Catholic Archbishop of Boston	**-**	256,559
	$ 1,989,209	$ 1,294,875

Risks and Uncertainties – The Corporation's investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with these 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 amounts reported in the Statements of Financial Position and the Statements of Activities.

Subsequent Decline in Market Values of Investments – Since the date of the accompanying financial statements, June 30, 2011, the Corporation's investments depreciated in value by approximately $1.5 million (9%) through October 20, 2011 (including any gains and losses on investments bought and sold, as well as held during the period) as a result of a volatile stock market.

Restatement for Event Discovered Subsequent to the Date of the Independent Auditors' Report – Subsequent to October 20, 2011, the date of the initial independent auditors' report to financial statements previously issued, management was informed that the original valuation ($13,222,861) of the Corporation's investment in the Common Investment Fund, Roman Catholic Archbishop of Boston as of June 30, 2011 was incorrect. As a result, management restated the Corporation's previously issued financial statements at June 30, 2011 to reduce the fair value of this investment by $140,530 to $13,082,331 via a corresponding decrease to the net gains on investments as previously reported for 2011. The restatement had the effect of decreasing the increase in net assets for the year and the net assets at June 30, 2011 by $140,530.

Note 3 – Fair Value Measurements

The Corporation measures the fair values of assets and liabilities as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy is used to prioritize the inputs to valuation techniques used to measure fair value. The Corporation classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Investments are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Note 3 – Fair Value Measurements (Cont.)

The Corporation adopted amended guidance on fair value measurements in its June 30, 2009 financial statements and expanded disclosure requirements in its June 30, 2010 financial statements. The new guidance effects how the Corporation measures the fair value of investments in certain entities that do not have a quoted market price, but calculate net asset value (NAV) per share or its equivalent. As a practical expedient, the amendments permit, but do not require, the Corporation to measure the fair value of an investment in an investee within the scope of the amendments based on the investee's NAV per share or its equivalent. The Corporation records its investments at the net asset value per unit on the valuation day. The adoption did not have an impact on the fair value determination of the Corporation's investments.

Investments – Unit values in the Common Investment Fund (CIF) and Money Market Fund (MMF) do not have quoted prices in active markets or significant other observable inputs that have quoted market prices although the Corporation can redeem its investments at the net asset values per share at June 30, 2011. These assets are classified as being Level 2 inputs under the fair value hierarchy in accordance with generally accepted accounting principles. The Corporation estimates the fair value of its unit holdings in the CIF and MMF based on the Corporation's share of the underlying investment portfolio that consists of actively-traded equities, bonds and money market funds.

The Corporation's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2011 and 2010, by level within the fair value hierarchy, are presented in the table below. Financial assets measured at fair value on a nonrecurring basis, such as contributions receivable, are excluded from the table.

	Level 1 Quoted Prices in Active Markets for Identical Assets	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
June 30, 2011 (Restated - Note 2)				
Units of Common Investment Fund	**$ -**	**$ 13,082,331**	**$ -**	**$ 13,082,331**
Units of Money Market Fund	**-**	**2,514,144**		**2,514,144**
	$ -	**$ 15,596,475**	**$ -**	**$ 15,596,475**
June 30, 2010				
Units of Common Investment Fund	$ -	$ 12,552,669	$ -	$ 12,552,669
Units of Money Market Fund	-	2,404,597	-	2,404,597
	$ -	$ 14,957,266	$ -	$ 14,957,266

Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

	2011	2010
Land	**$ 440,663**	$ 440,663
Building and renovations	**6,166,405**	6,166,405
Furniture and fixtures	**3,480,397**	3,452,046
Motor vehicle	**62,668**	63,863
Equipment	**12,799,106**	9,802,082
	22,949,239	19,925,059
Less accumulated provisions for depreciation	**10,402,932**	9,388,191
	$12,546,307	$10,536,868

Depreciation expense was $1,038,161 and $727,842 for the years ended June 30, 2011 and 2010, respectively.

Note 5 - Lease Commitments

As Lessee - The Corporation leases certain equipment and commercial space to accommodate certain broadcasting equipment and needs under agreements expiring at various dates through the year 2018. Future minimum lease payments are as follows:

Year Ending June 30	
2012	$ 77,000
2013	78,000
2014	80,000
2015	51,000
2016	45,000
2017 and thereafter	113,000
	$ 444,000

Rent expense under the terms of these leases approximated $71,000 and $54,000 for the years ended June 30, 2011 and 2010, respectively.

As Lessor - Commencing February 27, 2010 the Corporation is the lessor in an agreement whereby it leases certain of its excess capacity with respect to the Educational Broadcast Service channels licensed to it by the Federal Communications Commission. Under the agreement, the Corporation will receive a monthly fee starting at $170,000 per month for the first five years, increasing to $190,000 per month for the next five years and escalating to $650,000 per month in year twenty six of the thirty year agreement. In addition to the monthly fees the Corporation received a one-time initial fee of $2 million and will receive three anniversary payments of $2.5 million each on the second and third anniversaries, and $2 million on the fourth anniversary of the agreement. For the year ended June 30, 2011, the Corporation has received $2.04 million in fees ($2.69 million in 2010) and has recognized $4.8 million of revenues ($4.7 million in 2010), for a total of $9.5 million recognized under the contract based upon the straight-line method of reporting lease revenue (see Note 1). The agreement is cancellable by either party only under certain conditions.

Note 6 - Employee Pension Plan

The Corporation participates in a multi-employer noncontributory employee retirement income plan, the Roman Catholic Archdiocese of Boston Pension Plan. The plan provides defined benefits to participants upon retirement. The amount of the Corporation’s annual contribution is actuarially determined and is accrued and funded annually. The relative position of the Corporation with regard to the plan's net assets and actuarial present value of accumulated plan benefits has not been distinguished from those of other groups participating in the retirement income plan.

Pension expense for the years ended June 30, 2011 and 2010 was approximately $154,000 and $85,000, respectively.

The Archdiocese of Boston has announced that the plan will be frozen effective December 31, 2011. It is their intent to establish a defined contribution plan in order to service the retirement needs of those whose benefits will be frozen and for future employees.

Note 7 - Contributed Services

For the years ended June 30, 2011 and 2010, the Corporation recorded contributions of $176,500 and $130,000, respectively, for the full-time services performed by the priests who serve as its director of television programming in 2011 and 2010, and the director of the Boston Catholic Directory in 2011. These amount represent the estimated additional compensation that would be paid to a layperson performing the same services (see Note 1).

Note 8 - Related Party Transactions

Insurance Charges – During the years ended June 30, 2011 and 2010, the Corporation was charged $409,990 and $220,402, respectively, for health, life, disability and general insurance administered by the Roman Catholic Archbishop of Boston (RCAB), a Corporation Sole (an entity related by common board members).

Loans – During fiscal 2002, the RCAB advanced funds to the Corporation totaling $128,060 to pay expenses on its behalf. The unpaid balance of $76,278 was eliminated in 2011, as forgiven by the RCAB, via a credit to other income.

Transfer of Operating Assets – Effective July 1, 2010 the Pilot, the Digital Services Media Group and the Boston Catholic Directory, formerly operated as unincorporated entities within the Archdiocese of Boston, were transferred to the Corporation to be operated as a separate division known as The Pilot Media Group (PMG). The assets and liabilities of the PMG were recorded by the Corporation at their historic net book values, due to the affiliation of the entities, via a credit to the statement of activities as other income in the amount of $163,446. A summary of the assets obtained (and liabilities assumed) is as follows:

Accounts receivable	$ 163,446
Due from affiliate	150,000
Deferred revenue	(150,000)
	$ 163,446

The operating results of PMG are included in the accompanying financial statements from the date of the transfer forward. No prior year operating results have been included. A summary of operations of PMG for the year ended June 30, 2011 is as follows:

Revenues and other support	$1,657,000
Costs and expenses	1,505,000
Increase in net assets	$ 152,000

To assist in the funding of operations, the Archdiocese of Boston agreed to provide grants of $250,000, $350,000 and $250,000 in years one, two and three, respectively. The first grant of $250,000 was received and recorded in fiscal year 2011. The remaining grants will be recorded when made.

In addition, while under the management of the Archdiocese of Boston, customers pre-paid for subscriptions that relate to future fiscal years, and to help fund the costs of providing these subscriptions, the Archdiocese agreed to provide $150,000, paid in three annual installments of $50,000. The first installment was received during fiscal year 2011, and the remaining $100,000 is recorded as receivable from the Archdiocese of Boston at June 30, 2011.

Also on July 1, 2010, the Corporation and the Archdiocese of Boston entered into a Memorandum of Understanding to govern PMG's activities at the Archdiocesan Pastoral Center. The Corporation agreed to provide certain services to the Archdiocese in exchange for certain services that the Archdiocese will provide to the Corporation. The value of these services has not been reflected in the accompanying financial statements.

Note 8 - Related Party Transactions (Cont.)

Loans for Acquisition of Bulletin Company – The purchase of a bulletin company (Note 13) was financed by a 5-year, $990,000 loan from the RCAB, payable in monthly principal and interest installments at a variable rate of interest. The initial and current rate is 5¼%, which results in a monthly payment of $18,796. Maturities on the debt over the next five years are as follows:

Year Ending June 30	
2012	$ 187,760
2013	197,064
2014	207,663
2015	218,831
2016	9,237
	$ 820,555

Revenues – During the year ended June 30, 2011 the Pilot Media Group and the Pilot Bulletins and Pilot Printing Group received revenues of approximately $78,000 and $70,000, respectively from the RCAB. At June 30, 2011 accounts receivable from RCAB for these services approximated $48,000.

Note 9 – Restricted Net Assets

Permanently restricted net assets at June 30 are restricted to investment in perpetuity, the income from which is expendable to support:

	2011	2010
Religious programming and education	**$ 5,000,000**	$ 5,000,000
Sunday masses	**20,000**	20,000
Masses	**5,000**	5,000
	$ 5,025,000	$ 5,025,000

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

	2011 (Restated - Note 2)	2010
Restricted for religious programming and eduation	**$ 62,163**	$ 56,769
Restricted for Masses	**511**	726
Restricted for grant writer	**18,201**	18,825
Restricted for digital monthly	**4,467**	25,000
Restricted for news program	**26,500**	104,927
Unrealized gains on investments related to permanently restricted net assets (Notes 1 & 2)	**1,071,399**	280,943
	$ 1,183,241	$ 487,190

Note 9 – Restricted Net Assets (Cont.)

During the years ended June 30, 2011 and 2010, net assets were released from donor restrictions by incurring expenses or by the occurrence of other events satisfying the restricted purpose as follows:

	2011	2010
Religious programming and education	**$ 228,691**	$ 205,114
Sunday masses	**915**	820
Masses	**469**	265
Grant writer	**625**	66,513
News program	**86,028**	120,073
Digital monthly	**12,931**	-
Radio program	**74,714**	-
	$ 404,373	$ 392,785

Note 10 – Endowments

The Corporation's endowments consist of three individual funds established for the support of various activities. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law – The Corporation has historically viewed the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Corporation to preserve 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 Corporation 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. This is regarded as the "historic dollar value" of the endowment fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets and is regarded as "net appreciation" is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Corporation.

Endowment Investment Policy – The Corporation has adopted an investment philosophy which, combined with the spending rate, attempts to provide a predictable stream of returns thereby making funds available to programs that are supported by its endowment, while at the same time seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Corporation must hold in perpetuity or for donor-specified periods. Under the Corporation's investment policy and spending rate, both of which are approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce an inflation-adjusted return in excess of the spending rate over a long period of time. Actual returns in any given year may vary.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Corporation 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). From the time when the Corporation was organized, the Corporation has invested its endowment investment portfolio in the Common Investment Fund which, in turn, invests in the Investment Partnership. The Investment Committee of Corporation Sole is responsible for selecting the investment managers of the Investment Partnership. The Investment Committee's investment rationale is to include an array of different strategy investment managers for the Investment Partnership's portfolio to reduce overall volatility while providing investment returns above industry benchmarks.

Note 10 – Endowments (Cont.)

Endowment Net Assets – The composition of donor-restricted endowment funds is presented below by net asset class, including changes in the funds by class, for the years ended June 30:

	Endowment Fund Net Assets			
	Unrestricted (Deficiency)	Temporarily Restricted	Permanently Restricted	Total
For the year ended June 30, 2011: **(Restated - Note 2)**				
Endowment net assets at beginning of year	**$ -**	**$ 337,997**	**$ 5,025,000**	**$ 5,362,997**
Interest and dividends	**-**	**235,256**	**-**	**235,256**
Unrealized gains on investments	**-**	**790,455**	**-**	**790,455**
Appropriation of endowment assets for expenditure	**-**	**(229,836)**	**-**	**(229,836)**
Endowment net assets at end of year	**$ -**	**$ 1,133,872**	**$ 5,025,000**	**$ 6,158,872**
For the year ended June 30, 2010:				
Endowment net assets at beginning of year	$ (105,612)	$ 45,988	$ 5,025,000	$ 4,965,376
Interest and dividends	-	217,206	-	217,206
Unrealized gains on investments	105,612	280,943	-	386,555
Appropriation of endowment assets for expenditure	-	(206,140)	-	(206,140)
Endowment net assets at end of year	$ -	$ 337,997	$ 5,025,000	$ 5,362,997

Note 11 - Financial Instruments and Concentrations

The Corporation's financial instruments that potentially subject it to concentrations of credit risk consist of cash, cash equivalents and investments.

The Corporation maintains its cash accounts in high quality financial institutions. At times, the amounts on deposit at any institution may be in excess of insured limits. At June 30, 2011, based on bank balances, cash in excess of the FDIC insurance limit approximated $862,000.

As more fully disclosed in Note 2, the Corporation's investments at June 30, 2011 consist of mutual funds administered by the Roman Catholic Archbishop of Boston in an amount approximating $15,737,000.

Revenues of the Pilot Bulletin Group are concentrated in parishes located within the ecclesiastical territory of the RCAB.

Note 12 - Income Taxes

The Corporation adopted a policy of recognizing the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Corporation's management has reviewed the tax positions for open periods and determined that no provision for income tax is required in the Corporation's financial statements.

Note 13 – Acquisition of Bulletin Company

On September 9, 2010 the Corporation purchased the assets and assumed certain liabilities relating to a parish bulletin company for $986,000 to form Pilot Bulletins and Pilot Printing. The acquisition was funded with a loan from the RCAB (Note 8). A summary of the assets obtained and liabilities assumed is as follows:

Accounts receivable	$ 38,285
Property and equipment	128,150
Goodwill	819,565
	$ 986,000

The excess of the purchase cost over the fair value of identifiable assets obtained and liabilities assumed was recorded as goodwill (see Note 1).