

**Audited  
Financial Statements**

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

**June 30, 2011**

# Blessed John XXIII National Seminary, Inc.

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## Audited Financial Statements

June 30, 2011

INDEPENDENT AUDITOR'S REPORT	1
AUDITED FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	14

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INDEPENDENT AUDITORS' REPORT

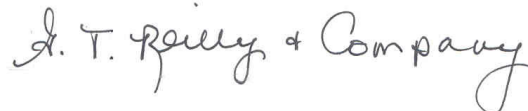
To the Trustees  
Blessed John XXIII National Seminary, Inc.

We have audited the accompanying statements of financial position of Blessed John XXIII National Seminary, Inc. as of June 30, 2011 and 2010, 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, 2011 and 2010, 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 October 24, 2011 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 grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



G. T. Reilly & Company

Milton, Massachusetts  
October 24, 2011

# Blessed John XXIII National Seminary, Inc.

## Statements of Financial Position

June 30

	<u>2011</u>	<u>2010</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 628,382	\$ 802,701
Interest and dividends receivable	63,814	44,392
Contributions receivable	100,400	10,717
Inventories (Note 1)	14,000	17,000
Prepaid expenses	53,038	25,018
Investments at fair value (Notes 1 & 2)	6,367,704	5,660,140
Interest in net assets of the Catholic Foundation (Notes 1 & 4)	1,597,087	1,375,997
Property and equipment, net (Notes 1 & 5)	<u>1,940,727</u>	<u>1,787,086</u>
 TOTAL ASSETS	 <u><u>\$ 10,765,152</u></u>	 <u><u>\$ 9,723,051</u></u>
 <b><u>Liabilities and Net Assets</u></b>		
Liabilities:		
Accounts payable and accrued expenses	<u>\$ 64,697</u>	<u>\$ 45,771</u>
 Net Assets (Notes 1 & 9):		
Unrestricted:		
Board designated for capital improvements	1,939,515	1,429,484
Board designated quasi-endowments	1,121,214	928,580
Undesignated	<u>889,931</u>	<u>1,198,490</u>
	<u>3,950,660</u>	<u>3,556,554</u>
 Temporarily restricted	 3,100,614	 2,671,708
Permanently restricted	<u>3,649,181</u>	<u>3,449,018</u>
	<u>10,700,455</u>	<u>9,677,280</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 10,765,152</u></u>	 <u><u>\$ 9,723,051</u></u>

# Blessed John XXIII National Seminary, Inc.

## Statements of Activities

### Year Ended June 30

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS &amp; OTHER SUPPORT</b>								
Tuition (Note 6)	\$ 1,392,807	\$ -	\$ -	\$ 1,392,807	\$ 1,112,200	\$ -	\$ -	\$ 1,112,200
Fundraising - special events	333,913	-	-	333,913	312,332	-	-	312,332
Gifts and bequests	194,821	-	-	194,821	282,874	61,198	-	344,072
Contributions	394,066	55,000	200,000	649,066	366,206	-	50	366,256
Investment interest and dividends	125,895	107,605	-	233,500	112,050	100,824	-	212,874
Miscellaneous income	3,100	-	-	3,100	3,126	-	-	3,126
Matching gifts	169,123	-	-	169,123	202,455	-	-	202,455
Contributed services (Notes 1 & 8)	288,805	-	-	288,805	433,313	-	-	433,313
Net realized and unrealized gains (losses) on investments (Notes 1 & 2)	360,545	334,381	-	694,926	244,947	84,799	-	329,746
Interest in change in net assets of the Catholic Foundation (Notes 1 & 4)	-	278,863	163	279,026	2,233	(145,371)	28	(143,110)
Net assets released from restrictions through satisfaction of use restrictions (Note 9)	346,943	(346,943)	-	-	246,050	(246,050)	-	-
<b>TOTAL REVENUES, GAINS &amp; SUPPORT</b>	<b>3,610,018</b>	<b>428,906</b>	<b>200,163</b>	<b>4,239,087</b>	<b>3,317,786</b>	<b>(144,600)</b>	<b>78</b>	<b>3,173,264</b>
<b>EXPENSES</b>								
Instruction	719,764	-	-	719,764	791,267	-	-	791,267
Library	144,816	-	-	144,816	133,618	-	-	133,618
Student activities	8,717	-	-	8,717	5,828	-	-	5,828
Administrative – General	798,028	-	-	798,028	763,737	-	-	763,737
Operation & maintenance of plant	449,556	-	-	449,556	373,229	-	-	373,229
Development	467,076	-	-	467,076	374,805	-	-	374,805
Household expenses	532,004	-	-	532,004	505,519	-	-	505,519
Depreciation	95,951	-	-	95,951	89,735	-	-	89,735
<b>TOTAL EXPENSES</b>	<b>3,215,912</b>	<b>-</b>	<b>-</b>	<b>3,215,912</b>	<b>3,037,738</b>	<b>-</b>	<b>-</b>	<b>3,037,738</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>394,106</b>	<b>428,906</b>	<b>200,163</b>	<b>1,023,175</b>	<b>280,048</b>	<b>(144,600)</b>	<b>78</b>	<b>135,526</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>3,556,554</b>	<b>2,671,708</b>	<b>3,449,018</b>	<b>9,677,280</b>	<b>3,276,506</b>	<b>2,816,308</b>	<b>3,448,940</b>	<b>9,541,754</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 3,950,660</b>	<b>\$ 3,100,614</b>	<b>\$ 3,649,181</b>	<b>\$ 10,700,455</b>	<b>\$ 3,556,554</b>	<b>\$ 2,671,708</b>	<b>\$ 3,449,018</b>	<b>\$ 9,677,280</b>

# Blessed John XXIII National Seminary, Inc.

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## Statements of Cash Flows

For the Year Ended June 30

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 1,023,175	\$ 135,526
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	95,951	89,735
Donation of investments	(206,656)	-
Net realized and unrealized (gains) losses on investments	(694,926)	(329,746)
Interest in change in net assets of the Catholic Foundation	(279,026)	143,110
Transfer of assets from the Catholic Foundation	57,936	369,048
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	(19,422)	(6,497)
Prepaid expenses and other assets	(28,020)	26,239
Contributions and other receivables	(89,683)	21,396
Inventories	3,000	750
Accounts payable and accrued expenses	18,926	(6,156)
NET CASH (APPLIED TO) PROVIDED BY OPERATING ACTIVITIES	<u>(118,745)</u>	<u>443,405</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(249,592)	(186,573)
Sales (purchases) of investments, net	194,018	(439,908)
NET CASH APPLIED TO INVESTING ACTIVITIES	<u>(55,574)</u>	<u>(626,481)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(174,319)	(183,076)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>802,701</u>	<u>985,777</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 628,382</u>	<u>\$ 802,701</u>

# Blessed John XXIII National Seminary, Inc.

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## Notes to Financial Statements

June 30, 2011

### 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 9 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, 2011 and 2010.

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 fair value. Increases or decreases in the market value are reflected currently in the statement of activities (see Notes 2 & 3).

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 5).

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, 2011

### 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.

In accordance with generally accepted accounting principles 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 (see Note 10).

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 8).

Accounting for Assets Held by Others - The Seminary recognizes 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. The asset amount is adjusted for the Seminary's share of the change in the related organization's net assets via a charge or credit to the Seminary's statement of activities. Transfers of funds from the related organization are reported as reductions to the Seminary's recorded interest (see Note 4).

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.

Evaluation of Subsequent Events - Management has evaluated subsequent events involving the Seminary 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 25, 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	Cost	Fair Value
Common Investment Fund, Roman Catholic Archbishop of Boston	\$ 5,200,148	\$ 6,233,939	\$ 3,875,520	\$ 4,200,631
Revolving Loan Fund, Roman Catholic Archdiocese of Boston	-	-	1,337,534	1,337,534
Mutual Funds	131,579	133,765	124,178	121,975
	<u>\$ 5,331,727</u>	<u>\$ 6,367,704</u>	<u>\$ 5,337,232</u>	<u>\$ 5,660,140</u>



# Blessed John XXIII National Seminary, Inc.

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## Notes to Financial Statements (Cont.)

June 30, 2010

### Note 2 – Investments (Cont.)

The majority of the Seminary's investments represent unit holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston (the "Common Investment Fund"), a separate related organization established to provide common investment pools in which the Seminary 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 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. Dividend income from the investments totaled \$209,332 and \$172,856 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 Revolving Loan Fund of the Archdiocese of Boston is intended to provide parishes, schools and other Catholic organizations operating under the auspices of the Roman Catholic Archdiocese of Boston with savings and loan services. Aggregated savings are utilized to assist other institutions with loans. Interest rates are reviewed regularly and adjusted to maintain competitive rates in the marketplace. During 2011, the Seminary transferred all funds invested in the Revolving Loan Fund to the Common Investment Fund. Interest income from these investments totaled \$6,833 and \$16,681 for the years ended June 30, 2011 and 2010, respectively.

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

	<u>2011</u>	<u>2010</u>
Common Investment Fund, Roman Catholic Archbishop of Boston	\$ 713,169	\$ 321,553
Mutual Funds	4,389	8,193
Common Stock	<u>(22,632)</u>	<u>-</u>
	<u>\$ 694,926</u>	<u>\$ 329,746</u>

Risks and Uncertainties – The Seminary's investments in the common investment fund and mutual funds 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.

# Blessed John XXIII National Seminary, Inc.

## Notes to Financial Statements (Cont.)

June 30, 2011

### Note 3 – Fair Value Measurements

The Seminary 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 Seminary 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).

The Seminary measures the fair value of investments in certain entities that do not have a quoted market price based on the investees' calculated net asset value (NAV) per share or its equivalent. The Seminary records its investments at the net asset value per unit on the valuation day.

The Seminary'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	Balance at year end
<b><u>June 30, 2011</u></b>				
<b>Units of Common Investment Fund</b>	\$ -	\$ 6,233,939	\$ -	\$ 6,233,939
<b>Shares of Mutual Funds</b>	133,765	-	-	133,765
	<u>\$ 133,765</u>	<u>\$ 6,233,939</u>	<u>\$ -</u>	<u>\$ 6,367,704</u>
 <u>June 30, 2010</u>				
Units of Common Investment Fund	\$ -	\$ 4,200,631	\$ -	\$ 4,200,631
Units of Revolving Loan Fund	-	1,337,534	-	1,337,534
Shares of Mutual Funds	121,975	-	-	121,975
	<u>\$ 121,975</u>	<u>\$ 5,538,165</u>	<u>\$ -</u>	<u>\$ 5,660,140</u>

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The methods used for valuing the assets and liabilities are not necessarily an indication of the risks associated with those assets.

# Blessed John XXIII National Seminary, Inc.

## Notes to Financial Statements (Cont.)

June 30, 2011

### Note 3 – Fair Value Measurements (Cont.)

A summary of the methods used to estimate the fair value of investments is as follows:

Unit Values in the Common Investment Fund (CIF) and Revolving Loan Fund (RLF) - These investments do not have quoted prices in active markets or significant other observable inputs that have quoted market prices although the Seminary can redeem its investment at the net asset value per share at June 30, 2011. These assets are classified as being valued using Level 2 inputs under generally accepted accounting principles. The Seminary estimates the fair value of its unit holdings in the CIF and RLF based on the Seminary's share of the underlying investment portfolio that consists of actively-traded equities, bonds and money market funds for the CIF and loans to Archdiocesan organizations for the RLF.

Mutual Funds - These investments are public investment vehicles valued using the Net Asset Value (NAV) provided by the administrator of the fund. The NAV is a quoted price in an active market and classified within Level 1 of the valuation hierarchy.

### Note 4 – 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 \$1,597,000 at June 30, 2011 (\$1,376,000 at June 30, 2010). The change in the Seminary's interest is reflected in the statement of activities as an increase in net assets of \$279,026 in 2011 (decrease in net assets of \$143,110 in 2010). Transfers of funds from the Foundation to the Seminary totaled \$57,936 and \$369,048 for the years ended June 30, 2011 and 2010, respectively.

### Note 5 - Property and Equipment

	<u>2011</u>	<u>2010</u>
Land	\$ 116,140	\$ 116,140
Building	424,903	424,903
Building improvements	2,028,317	1,848,205
Furniture and equipment	1,052,495	993,014
Motor vehicles	10,000	29,072
	<u>3,631,855</u>	<u>3,411,334</u>
Less accumulated provision for depreciation	1,691,128	1,624,248
	<u>\$ 1,940,727</u>	<u>\$ 1,787,086</u>

Depreciation expense totaled \$95,951 and \$89,735 for the years ended June 30, 2011 and 2010, respectively.

### Note 6 - Related Party Transactions

The Seminary received \$188,000 in 2011 (\$90,000 in 2010) from the Archdiocese of Boston, representing tuition for registered Boston students.

During the years ended June 30, 2011 and 2010, the Seminary was charged \$227,363 and \$194,679, 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.

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## Notes to Financial Statements (Cont.)

June 30, 2011

### Note 7 - 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 approximated \$61,000 and \$47,000 for the years ended June 30, 2011 and 2010, 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 contributions plan in order to service the retirement needs of those whose benefits will be frozen and for future employees.

### Note 8 - Contributed Services

For the years ended June 30, 2011 and 2010, the Seminary recorded contributions in the amount of \$288,805 and \$433,313, respectively, for 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 9 - Restricted Net Assets

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

	<u>2011</u>	<u>2010</u>
Restricted for:		
Student scholarships	\$ 97,818	\$ 92,686
Foreign ministry students	8,147	16,897
Building renovations and operations	210,552	291,446
Needy students	66,241	64,694
Theology Chair	41,854	28,189
Pre-Theology Chair	51,974	29,209
Field education office and workshops	84,756	59,558
Promise for Tomorrow case statement	1,344,201	1,444,201
Interest in temporarily restricted net assets of the Catholic Foundation	<u>673,508</u>	<u>452,582</u>
	<u>2,579,051</u>	<u>2,479,462</u>
Unrealized gains and losses on investments related to permanently restricted net assets (Note 1)	<u>521,563</u>	<u>192,246</u>
	<u>\$ 3,100,614</u>	<u>\$ 2,671,708</u>

# Blessed John XXIII National Seminary, Inc.

## Notes to Financial Statements (Cont.)

June 30, 2011

### Note 9 - 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>2011</u>	<u>2010</u>
Income restricted for:		
Student scholarships	\$ 236,321	\$ 236,321
Rector fund for needy students	35,000	35,000
Theology Chair	346,961	346,961
Field Education Director's Office	800,000	800,000
Pre-theology program	800,000	600,000
Operations	489,138	489,138
Promise for Tomorrow case statement	18,183	18,183
Interest in permanently restricted net assets of the Catholic Foundation	<u>923,578</u>	<u>923,415</u>
	<u>\$ 3,649,181</u>	<u>\$ 3,449,018</u>

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 purposes, or by donors removing the restrictions, as follows:

	<u>2011</u>	<u>2010</u>
Student scholarships granted	\$ 18,193	\$ 84,800
Operating expenses incurred	170,000	105,000
Capital renovations	100,000	-
Foreign ministry student scholarships	58,750	56,250
	<u>\$ 346,943</u>	<u>\$ 246,050</u>

### Note 10 – Endowments and Quasi-Endowments

The Seminary's endowments consist of various 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 Seminary has historically viewed the Massachusetts Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the Seminary 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 Seminary 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 Seminary.

# Blessed John XXIII National Seminary, Inc.

## Notes to Financial Statements (Cont.)

June 30, 2011

### Note 10 – Endowments and Quasi-Endowments (Cont.)

Funds with Deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the “historic dollar value”. Deficiencies of this nature are reported in unrestricted net assets. There were no such deficiencies as of June 30, 2011.

Endowment Investment Policy – The Seminary 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 Seminary must hold in perpetuity or for donor-specified periods. Under the Seminary’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 Seminary 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 Seminary was organized, the Seminary has invested its endowment investment portfolio in the Common Investment Fund which, in turn, invests in the Investment Partnership (see Note 2). 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.

### Changes in Endowment Net Assets

Endowment net assets and changes therein as of and for the years ended June 30 are as follows:

	Board Designated Quasi- Endowment	Endowment Net Assets			Total
		Unrestricted	Temporarily Restricted	Permanently Restricted	
<b><u>For the year ended June 30, 2011:</u></b>					
Endowment net assets at beginning of year	\$ 928,580	\$ -	\$ 1,054,566	\$ 3,449,018	\$ 4,503,584
Contributions	-	-	-	200,000	200,000
Interest in change in net assets of the Catholic Foundation	-	-	278,863	163	279,026
Interest and dividends	40,141	-	106,391	-	106,391
Realized and unrealized gains on investments	152,493	-	329,317	-	329,317
Appropriation of endowment assets for expenditure	-	-	(170,000)	-	(170,000)
<b>Endowment net assets at end of year</b>	<b>\$ 1,121,214</b>	<b>\$ -</b>	<b>\$ 1,599,137</b>	<b>\$ 3,649,181</b>	<b>\$ 5,248,318</b>

## Note 10 – Endowments and Quasi-Endowments (Cont.)

	Board Designated Quasi- Endowment	Endowment Net Assets			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<u>For the year ended June 30, 2010:</u>					
Endowment net assets at beginning of year	\$ 829,043	\$ -	\$ 835,095	\$ 3,448,940	\$ 4,284,035
Contributions	-	-	-	50	50
Interest in change in net assets of the Catholic Foundation	-	-	154,630	28	154,658
Interest and dividends	34,649	-	97,248	-	97,248
Realized and unrealized gains on investments	64,888	-	77,093	-	77,093
Appropriation of endowment assets for expenditure	-	-	(109,500)	-	(109,500)
Endowment net assets at end of year	<u>\$ 928,580</u>	<u>\$ -</u>	<u>\$ 1,054,566</u>	<u>\$ 3,449,018</u>	<u>\$ 4,503,584</u>

## Note 11 - 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, 2011, there were no cash amounts in excess of insured limits. Cash equivalents consist of uninsured money market accounts and approximated \$37,000 at June 30, 2011.

As more fully discussed in Note 2, primarily all of the Seminary's investments consist of Common Investment Funds administered by the Roman Catholic Archdiocese of Boston (RCAB).

As more fully discussed in Note 4, the Seminary has a beneficial interest in the net assets of the Catholic Foundation in the approximate amount of \$1,597,000 at June 30, 2011.

## Note 12 - Income Taxes

The Seminary recognizes 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 Seminary's management has reviewed the tax positions for open periods and determined that no provision for income tax is required in the Seminary's financial statements.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
AND ON COMPLIANCE AND OTHER MATTERS 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, 2011, and have issued our report thereon dated October 24, 2011. 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 deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

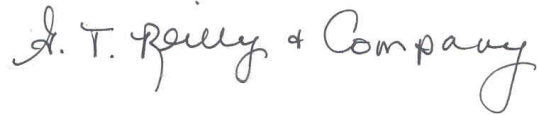
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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, contracts and grant agreements, 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 or other matters 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 company.

G. T. Reilly & Company

Milton, Massachusetts  
October 24, 2011