

THE PROPAGATION OF THE FAITH
OF BOSTON, INC.

Financial Statements
for the Year Ended December 31, 2011
and Independent Auditors' Report

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
The Propagation of the Faith of Boston, Inc.

We have audited the accompanying statement of financial position of The Propagation of the Faith of Boston, Inc. (a Massachusetts nonprofit organization) as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audit 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 audit provides a reasonable basis for our opinion.

The Organization's principal source of support and revenue are donations that are received from individuals directly through the mail, collected on behalf of the Organization by parishes throughout the Roman Catholic Archdiocese of Boston, or provided by other means. In most instances, the Organization has no means of determining the amounts or sources of donations until such donations are received at the Organization's office. Accordingly, it was not practical for us to extend our audit of such receipts beyond the amounts recorded.

In our opinion, except for the effect of such adjustments, if any, that might have resulted had the collection of donations been susceptible to audit, such financial statements present fairly, in all material respects, the financial position of The Propagation of the Faith of Boston, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.



As discussed in Note 9 to the financial statements, in 2011 the Organization changed its accounting policy with respect to the recognition of its annual distribution to the National Office. This change has been retroactively applied, and accordingly, the net assets of the Organization as of December 31, 2010 have been revised to reflect this new policy.

Walsh, Jastrem & Browne, LLP

July 10, 2012

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2011

	<u>2011</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 1,489,340
Total assets	<u>\$ 1,489,340</u>
<u>LIABILITIES AND NET ASSETS</u>	
LIABILITIES:	
Accounts payable	\$ 4,342
Accrued annual distribution liability to National Office	<u>1,345,884</u>
Total liabilities	<u>1,350,226</u>
NET ASSETS:	
Unrestricted	<u>(4,097)</u>
Temporarily restricted:	
Mission Cooperative Plan	-
Mass offerings	56,979
Designated gifts	65
Society of St. Peter the Apostle	69,982
Holy Childhood Association	<u>16,185</u>
Total temporarily restricted	<u>143,211</u>
Total net assets	<u>139,114</u>
Total liabilities and net assets	<u>\$ 1,489,340</u>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:			
Ordinary donations	\$ 769,734	\$ -	\$ 769,734
Legacies	1,018,529	-	1,018,529
Merchandise sales	757	-	757
Christmas appeal	28,223	-	28,223
Lenten appeal	24,793	-	24,793
Society of St. Peter the Apostle donations	3,053	69,982	73,035
Mother's and Father's Day appeals	683	-	683
Perpetual and special memberships	7,470	-	7,470
Holy Childhood Association donations	1,943	16,185	18,128
Interest income	7,235	-	7,235
Mission Cooperative Plan donations	-	453,198	453,198
Mass offerings	-	69,077	69,077
Designated gifts	-	56,799	56,799
	1,862,420	665,241	2,527,661
Net assets released from restrictions:			
Mission Cooperative Plan	462,261	(462,261)	
Mass offerings	110,980	(110,980)	
Designated gifts	56,799	(56,799)	
Society of St. Peter the Apostle	64,051	(64,051)	
Holy Childhood Association	719	(719)	
Total net assets released from restrictions	694,810	(694,810)	
Total support and revenue	2,557,230	(29,569)	2,527,661
EXPENSES:			
Program services:			
Annual distribution to National Office	1,307,982	-	1,307,982
Restricted mission distributions	694,810	-	694,810
Other mission distributions	37,902	-	37,902
Total program expenses	2,040,694	-	2,040,694
Supporting services	525,052	-	525,052
Total expenses	2,565,746	-	2,565,746
CHANGE IN NET ASSETS	(8,516)	(29,569)	(38,085)
NET ASSETS AT BEGINNING OF YEAR (See Note 9)	4,419	172,780	177,199
NET ASSETS AT END OF YEAR	\$ (4,097)	\$ 143,211	\$ 139,114

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2011

	<u>Program services</u>	<u>Supporting services</u>	<u>Total</u>
Annual distribution to			
National Office	\$ 1,307,982		\$ 1,307,982
Restricted mission distributions	694,810		694,810
Other mission distributions	37,902		37,902
Payroll expenses:			
Salaries and wages		269,569	269,569
Group insurance		25,211	25,211
Pension expense		20,787	20,787
Payroll taxes		19,297	19,297
Total payroll expenses		<u>334,864</u>	<u>334,864</u>
Printing		49,700	49,700
Professional fees		26,764	26,764
Mission activity		19,651	19,651
Postage		14,012	14,012
Office supplies and expenses		12,457	12,457
Advertising and publicity		12,334	12,334
Appeal materials		9,704	9,704
Mission Sunday expenses		7,666	7,666
Merchandise and expenses		7,383	7,383
Other expenses		7,149	7,149
Bank charges		6,322	6,322
Travel and meetings		5,567	5,567
Insurance		4,987	4,987
Equipment rental and repairs		4,173	4,173
Telephone		1,906	1,906
Express and shipping		306	306
S.P.F. Gifts		107	107
		<u> </u>	<u> </u>
Total	<u>\$ 2,040,694</u>	<u>\$ 525,052</u>	<u>\$ 2,565,746</u>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash contributions - unrestricted	\$ 1,855,185
Cash contributions - temporarily restricted	665,241
Cash received for annuities	81,683
Interest income	7,235
Program services	(2,040,694)
Cash paid for annuities	(81,683)
Supporting services	(525,052)
Decrease in accounts payable	(9,447)
Decrease in accrued annual distribution liability to National Office	<u>(491,006)</u>
Net cash used in operating activities	<u>(538,538)</u>
NET DECREASE IN CASH	(538,538)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,027,878</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 1,489,340</u></u>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of activities

The Propagation of the Faith of Boston, Inc. (the “Organization”) is the Boston affiliate of the Pontifical Society for the Propagation of the Faith, a worldwide missionary organization of the Roman Catholic Church with its international headquarters in the Vatican. The Organization’s purpose is to raise funds for the Society’s missionary activities and to educate and inform the public about the functions and activities of such missionaries. The Organization’s primary funding sources are bequests, individual contributions, Mass offerings, and organized appeals to parishes throughout the Roman Catholic Archdiocese of Boston (the “Archdiocese”). The Organization’s office facilities are located in Braintree, Massachusetts.

Basis of presentation

The accompanying financial statements have been prepared using the accrual method of accounting. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205, “Not-for-Profit Entities Presentation of Financial Statements”. Under ASC 958-205, the Organization is required to report its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributed services

Certain individuals have made significant contributions of their time to the Organization. The value of this contributed time is not reflected in the financial statements since it is not susceptible to objective measurement or valuation.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions are generally recognized when received because the Organization has no means of determining the amounts or sources of such contributions until received at the Organization's office. Most contributions are unrestricted and may be used for general mission distributions and for supporting services including fund raising, educational, and operating expenses. Contributions that are restricted by the donor are reported as increases in temporarily restricted net assets. When the restriction has been met by expending the contribution as specified, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Mission Cooperative Plan contributions, Designated gifts, Mass offerings, Society of St. Peter the Apostle donations and Holy Childhood Association donations are considered to be temporarily restricted net assets until such time as they are distributed to the missions in accordance with donor specifications. The Organization has no permanently restricted net assets.

Program distributions

Mission Cooperative Plan donations and designated gifts are generally distributed to the specified missionaries in the same month as, or the month following, the month which they are received. Mass offerings are generally distributed as Mass stipends within one or two months of receipt. Society of St. Peter the Apostle and Holy Childhood Association distributions are paid in the year following their donation. Other mission distributions are paid directly to missions or missionaries throughout the year.

An annual distribution is made to the United States National Office of The Society for the Propagation of the Faith ("the National Office"), with a request to allocate such distribution to various Catholic missionary organizations. Such annual distribution is accrued as a liability at each year end and amounted to \$1,345,884 at December 31, 2011, which includes \$37,902 specifically earmarked for the Catholic Near East Welfare Association.

Cash equivalents

Cash equivalents consist of money market savings accounts maintained by the Organization.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 1. NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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. Accordingly, actual results could differ from those estimates.

Property and equipment

Property and equipment are recorded at cost. Depreciation is computed over the estimated useful lives of the assets. All property and equipment owned by the Organization has been fully depreciated as of December 31, 2011.

Subsequent events

The Organization evaluates events and transactions that occur after the date of the statement of financial position to determine if any such events or transactions should be recorded or disclosed in the financial statements. For the year ended December 31, 2011 the Organization has made such evaluation through July 10, 2012, which is the date the financial statements were available to be issued.

NOTE 2. COMMITMENTS

The Organization's office facilities are located in Braintree, Massachusetts, in a building owned by the Archdiocese. The Archdiocese does not presently charge rent to the Organization for use of the facilities and accordingly, no rent or related operating expenses have been recognized by the Organization for the year ended December 31, 2011.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEAR ENDED DECEMBER 31, 2011
 (Continued)

NOTE 3. PENSION EXPENSE

Employees of the Organization participate in a non-contributory pension plan maintained by the Archdiocese. Benefit accrual under such plan was frozen as of December 31, 2010 but the Organization will continue to make contributions to the plan due to the plan's funding status. The Organization's pension plan expense for 2011 was \$20,787.

Effective January 1, 2012, the Organization will participate in a newly established 401(k) plan maintained by the Archdiocese. Such plan will allow for employee deferrals and a fixed percentage and matching contributions by the Organization.

NOTE 4. OTHER RELATED-PARTY TRANSACTIONS

The Organization purchases appeal materials from an affiliate, the United States national office of The Society for the Propagation of the Faith. Such purchases amounted to \$9,704 in 2011. The Organization also purchases transition assistance (unemployment insurance), worker's compensation, and general casualty and liability insurance through the Archdiocese. Expense for such items amounted to \$4,987 in 2011.

NOTE 5. CONCENTRATION OF CREDIT RISK

The Organization's cash and cash equivalents are maintained in accounts with federally insured banks. These banks are large, high credit quality financial institutions. Cash balances on deposit are frequently well in excess of the federally insured limits. As of December 31, 2011, cash and cash equivalents consisted of the following:

Cash in checking accounts	\$ 675,488
Cash in money market savings accounts	850,497
Deposits in transit	-
Subtotal	<u>1,525,985</u>
Less outstanding checks	<u>36,645</u>
Total cash and cash equivalents	<u>\$ 1,489,340</u>

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets received, available, and distributed (released from restriction by satisfying the restricted purpose) for the year ended December 31, 2011 is as follows:

	<u>Balance</u> <u>12/31/10</u>	<u>2011</u> <u>Contributions</u>	<u>2011</u> <u>Distributions</u>	<u>Balance</u> <u>12/31/11</u>
Mission Cooperative Plan	\$ 9,063	\$ 453,198	\$ (462,261)	\$ -
Mass Offerings (Stipends)	98,882	69,077	(110,980)	56,979
Designated Gifts	65	56,799	(56,799)	65
Society of St. Peter the Apostle	64,051	69,982	(64,051)	69,982
Holy Childhood Association	719	16,185	(719)	16,185
Totals	<u>\$ 172,780</u>	<u>\$ 665,241</u>	<u>\$ (694,810)</u>	<u>\$ 143,211</u>

NOTE 7. ANNUITY TRANSACTIONS

The Organization solicits and receives charitable gift annuities on behalf of the United States national office of the Society for the Propagation of the Faith. The Organization treats such annuity receipts as an agency transaction, as amounts received for annuities are promptly paid to the national office, which assumes the liability related to the annuity. Accordingly, such amounts are not included in the statements of activities, but are included in the statements of cash flows. Annuity receipts and corresponding payments to the National Office for the year ended December 31, 2011 totaled \$81,683.

NOTE 8. FUNCTIONAL EXPENSES

The Organization's functional expenses consist of program services and supporting services, as shown on the Statements of Functional Expenses. The Organization's program services consist solely of cash distributions made directly to the National Office and to missionary organizations throughout the world. The principal functional activity of the Organization's supporting services is fund raising and related general and administrative activities. This principal functional activity includes the solicitation, receipt, recording, acknowledgment, and distribution of funds for Catholic missionaries. The Organization also provides speakers, programs, and informational material about Catholic missionary activities, organizes and

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2011
(Continued)

NOTE 8. FUNCTIONAL EXPENSES (Continued)

coordinates the Mission Cooperative Plan within various parishes, and provides for overall administration and management related to the fund raising activity. The Organization's supporting services expenses consist primarily of staff payroll and related payroll expenses and other expenses related to the operation of the office, and printed material, appeal material, postage and other costs associated with mailings for both fund raising efforts and the dissemination of information about Catholic missionary activities. Because of the limited size of the office staff and the multi-purpose function of much activity, it is not practical to functionally allocate these supporting expenses between fund raising and administrative and general expenses.

NOTE 9. CHANGE IN ACCOUNTING POLICY

In 2011, the Organization changed its accounting policy with respect to the recognition of its annual distribution to the National Office. The new policy has the Organization recognizing a liability at each year end for the annual distribution rather than recognizing the annual distribution when paid. The change has been retroactively applied and accordingly, the net assets of the Organization as of December 31, 2010 have been revised to reflect this new policy. The effect of the change in the net assets as of December 31, 2010 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
December 31, 2010 Net Assets, as previously reported	\$ 1,841,309	\$ 172,780	\$ 2,014,089
Adjustment to record the accrued annual distribution liability to National Office	<u>(1,836,890)</u>	<u>-</u>	<u>(1,836,890)</u>
December 31, 2010 Net Assets, as as revised	<u>\$ 4,419</u>	<u>\$ 172,780</u>	<u>\$ 177,199</u>