

**Audited
Financial Statements**

**Boston Catholic
Television Center, Inc.**

June 30, 2006

Boston Catholic Television Center, Inc.

Audited Financial Statements

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INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS	3
STATEMENTS OF CASH FLOWS	4
NOTES TO FINANCIAL STATEMENTS	5

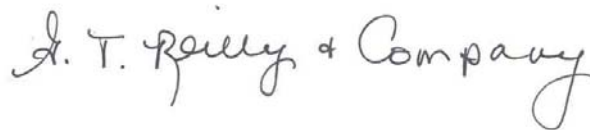
INDEPENDENT AUDITORS' REPORT

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, 2006 and 2005, 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, 2006 and 2005, 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.



G. T. Reilly & Company

Milton, Massachusetts
August 9, 2006

Boston Catholic Television Center, Inc.

Statements of Financial Position

June 30

	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Cash and cash equivalents (Note 1)	\$ 1,889,747	\$ 1,380,112
Accounts receivable, lessee (Note 4)	8,200	4,587
Accrued interest and dividends receivable	282,667	260,080
Investments at market value (Notes 1 & 2)	27,318,426	26,447,000
Prepaid expenses and other assets	89,049	64,917
Leasehold improvements, vehicle and equipment, net (Notes 1 & 3)	397,112	540,008
Land and building under renovation (Note 7)	<u>2,301,434</u>	<u>1,871,677</u>
 TOTAL ASSETS	 <u>\$32,286,635</u>	 <u>\$30,568,381</u>
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 342,877	\$ 96,354
Due to affiliate (Note 7)	<u>76,278</u>	<u>76,278</u>
	<u>419,155</u>	<u>172,632</u>
Net assets (Notes 1 & 8)		
Unrestricted	25,940,597	24,707,301
Temporarily restricted	901,883	663,448
Permanently restricted	<u>5,025,000</u>	<u>5,025,000</u>
	<u>31,867,480</u>	<u>30,395,749</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$32,286,635</u>	 <u>\$30,568,381</u>

Boston Catholic Television Center, Inc.

Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2006				Year Ended June 30, 2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS & OTHER SUPPORT:								
Contributions	\$ 1,317,904	\$ 71,095	\$	\$ 1,388,999	\$ 1,310,086	\$ 42,690	\$	\$ 1,352,776
Legacies and bequests	738,975	648,000		1,386,975	1,105,470	300,000		1,405,470
Dividend income (Note 2)	895,031	236,385		1,131,416	810,080	225,509		1,035,589
Educational programming & broadcasting (Note 4)	48,000			48,000	48,000			48,000
Net assets released from restrictions through satisfaction of program restrictions (Note 8)	956,107	(956,107)			574,391	(574,391)		
Net realized & unrealized gains on investments (Note 2)	632,364	239,062		871,426	498,694	145,888		644,582
Other	1,125			1,125	3,550			3,550
TOTAL REVENUES, GAINS & OTHER SUPPORT	4,589,506	238,435		4,827,941	4,350,271	139,696		4,489,967
EXPENSES								
Salaries	1,087,550			1,087,550	998,034			998,034
Payroll taxes	68,646			68,646	63,730			63,730
Fringe benefits	191,698			191,698	183,291			183,291
Fundraising	103,455			103,455	99,542			99,542
Broadcasting	541,007			541,007	521,426			521,426
Occupancy	489,892			489,892	447,826			447,826
Contract services	126,963			126,963	119,274			119,274
Supplies and materials	164,246			164,246	92,523			92,523
Maintenance of equipment	56,290			56,290	42,924			42,924
Postage	33,693			33,693	25,313			25,313
Legal and accounting	55,038			55,038	42,160			42,160
Service fees	1,826			1,826	2,913			2,913
Telephone	44,585			44,585	32,269			32,269
Depreciation and amortization	273,282			273,282	481,512			481,512
Miscellaneous	118,039			118,039	70,568			70,568
TOTAL EXPENSES	3,356,210			3,356,210	3,223,305			3,223,305
INCREASE IN NET ASSETS	1,233,296	238,435		1,471,731	1,126,966	139,696		1,266,662
NET ASSETS AT BEGINNING OF YEAR	24,707,301	663,448	5,025,000	30,395,749	23,580,335	523,752	5,025,000	29,129,087
NET ASSETS AT END OF YEAR	\$25,940,597	\$ 901,883	\$5,025,000	\$31,867,480	\$24,707,301	\$ 663,448	\$5,025,000	\$30,395,749

Boston Catholic Television Center, Inc.

Statements of Cash Flows

Year Ended June 30

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,471,731	\$ 1,266,662
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	273,282	481,512
Loss on disposal of leasehold improvements	6,352	0
Net realized and unrealized gains on investments	(871,426)	(644,582)
Changes in operating assets and liabilities:		
Accounts receivable, lessee	(3,613)	(587)
Accrued interest and dividends receivable	(22,587)	(21,720)
Prepaid expenses and other assets	(24,132)	6,078
Accounts payable and accrued expenses	<u>246,523</u>	<u>(3,419)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>1,076,130</u>	<u>1,083,944</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(136,738)	(77,589)
Land and building under renovation	<u>(429,757)</u>	<u>(1,756,787)</u>
NET CASH APPLIED TO INVESTING ACTIVITIES	<u>(566,495)</u>	<u>(1,834,376)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	509,635	(750,432)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,380,112</u>	<u>2,130,544</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,889,747</u>	<u>\$ 1,380,112</u>

Boston Catholic Television Center, Inc.

Notes to Financial Statements

June 30, 2006

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 television programming to the Roman Catholic community in the greater Boston area. Support for these services is provided by contributions from the general public.

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 8).

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.

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.

Investments - The Corporation reports investments in mutual funds at market value. Increases or decreases in market value are reflected currently in the statement of activities and changes in net assets (see Note 2).

Leasehold Improvements, Vehicle and Equipment - Leasehold improvements, vehicle 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 respective assets, generally five to seven years, on a straight-line basis.

Contributions and Donor Restrictions - Contributions receivable that are unconditional promises to give are recognized as revenues in the period received 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 income.

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 8).

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 contribution revenue, 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.

Note 1 - Summary of Significant Accounting Policies (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 is reported as unrestricted revenue or as restricted revenue depending on the terms of the donor instrument.

Under the provisions of Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations", and Massachusetts General Laws, unrealized gains or losses from endowment fund investments are reported as increases or decreases in temporarily restricted net assets unless the donor explicitly states otherwise (see Note 8).

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 6).

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

Note 2 - Investments

Investments consist of the following at June 30:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common Investment Fund, Roman Catholic Archbishop of Boston	\$19,910,616	\$24,699,280	\$19,910,616	\$23,692,337
Fixed Income Investment Fund, Roman Catholic Archbishop of Boston	<u>2,678,745</u>	<u>2,619,146</u>	<u>2,678,745</u>	<u>2,754,663</u>
	<u>\$22,589,361</u>	<u>\$27,318,426</u>	<u>\$22,589,361</u>	<u>\$26,447,000</u>

The investments in the Common Investment Fund, Roman Catholic Archbishop of Boston (the "Common Investment Fund"), and the Fixed Income Investment Fund, Roman Catholic Archbishop of Boston (the "Fixed Income Fund"), represent shares in mutual funds established by the Roman Catholic Archbishop of Boston, A Corporation Sole, to provide common investment pools in which it and other related entities may participate. The participants own units based upon a per-unit value at the time of purchase. The Common Investment Fund and the Fixed Income Fund incur service fees from the Corporation Sole for administrative and clerical services performed on behalf of the two funds. These fees are reflected in the calculation of the value per unit. Dividend income from these investments totaled \$1,086,298 and \$1,018,543 for the years ended June 30, 2006 and 2005, respectively.

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

	<u>2006</u>	<u>2005</u>
Common Investment Fund, Roman Catholic Archbishop of Boston	\$1,006,943	\$ 614,489
Fixed Income Investment Fund, Roman Catholic Archbishop of Boston	<u>(135,517)</u>	<u>30,093</u>
Net appreciation in fair value	<u>\$ 871,426</u>	<u>\$ 644,582</u>

Note 3 - Leasehold Improvements, Vehicle and Equipment

Leasehold improvements, vehicle and equipment consist of the following at June 30:

	<u>2006</u>	<u>2005</u>
Leasehold improvements	\$ 348,730	\$ 348,730
Motor vehicle	110,835	110,835
Equipment	<u>7,917,135</u>	<u>7,798,181</u>
	<u>8,376,700</u>	<u>8,257,746</u>
Less accumulated provisions for depreciation and amortization	<u>7,979,588</u>	<u>7,717,738</u>
	<u>\$ 397,112</u>	<u>\$ 540,008</u>

Note 4 - Lease Commitments

As Lessee

The Corporation leases certain facilities and equipment under agreements expiring at various dates through the year 2010. Facility lease payments include base rent and parking plus tenant share of real estate taxes and common utilities.

Minimum future lease commitments are as follows:

<u>Year Ending</u> <u>June 30</u>	
2007	\$ 482,000
2008	453,000
2009	383,000
2010	<u>297,000</u>
	<u>\$1,615,000</u>

Rent expense under the terms of these leases approximated \$444,000 and \$431,000 for the years ended June 30, 2006 and 2005, respectively.

As Lessor

The Corporation is the lessor in an agreement whereby it leases certain of its excess capacity with respect to the Instructional Television Fixed Service channels licensed to it by the Federal Communications Commission. The agreement requires the lessee to pay a monthly fee based on the number of its service subscribers, subject to a current minimum monthly fee of \$4,000 through April, 2008. For the years ended June 30, 2006 and 2005, the lease generated income of \$48,000 per year. The agreement is cancellable by either party only under certain conditions.

Note 5 - 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, 2006 and 2005 was approximately \$59,000 and \$57,000, respectively.

Note 6 - Contributed Services

For the years ended June 30, 2006 and 2005, the Corporation recorded contributions in the amount of \$107,747 and \$86,489, respectively, for the full-time services performed by the priest who serves as its director. This amount represents the estimated additional compensation that would be paid to a layperson performing the same services.

Note 7 - Related Party Transactions

During the years ended June 30, 2006 and 2005, the Corporation was charged \$116,232 and \$104,770, respectively, for health, life and disability insurance administered by the Roman Catholic Archbishop of Boston (RCAB), a Corporation Sole (an entity related by common board members).

On January 20, 2005, the Corporation purchased land and a building, consisting of a former convent, from St. Patrick's Parish in Watertown, Massachusetts (a parish included in the Roman Catholic Archdiocese of Boston) at a price of \$1.5 million. The Corporation is in the process of renovating and expanding the existing structure at an estimated cost of \$3 million before relocating from its current location. As such, no depreciation expense has been recorded.

During fiscal 2002, the RCAB advanced funds totaling \$128,060 to pay expenses on behalf of Boston Catholic Television, Inc. (named Boston Catholic Communications, Inc. at the time). As of June 30, 2006 and 2005, \$76,278 of these amounts remain payable to the RCAB.

Note 8 – Restricted Net Assets

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

	<u>2006</u>	<u>2005</u>
Religious programming and education	\$5,000,000	\$5,000,000
Sunday Masses	20,000	20,000
Masses	<u>5,000</u>	<u>5,000</u>
	<u>\$5,025,000</u>	<u>\$5,025,000</u>

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

	<u>2006</u>	<u>2005</u>
Restricted for religious programming and education	\$ 60,973	\$ 56,291
Restricted for Masses	1,972	7,281
Unrealized gains on investments related to permanently restricted net assets (Notes 1 & 2)	<u>838,938</u>	<u>599,876</u>
	<u>\$ 901,883</u>	<u>\$ 663,448</u>

During the years ended June 30, 2006 and 2005, net assets released from donor restrictions by incurring expenses or by the occurrence of other events satisfying the restricted purpose are as follows:

	<u>2006</u>	<u>2005</u>
Religious programming and education	\$ 230,526	\$ 224,578
Sunday Masses	922	898
Masses	5,564	6,225
Land and building renovations	<u>719,095</u>	<u>342,690</u>
	<u>\$ 956,107</u>	<u>\$ 574,391</u>

Note 9 - 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, 2006, based on bank balances, cash in excess of the FDIC insurance limit approximated \$203,000. The Corporation's cash equivalents consist of \$1,664,000 in uninsured money market funds at June 30, 2006.

As more fully disclosed in Note 2, the Corporation's investments at June 30, 2006 consist of mutual funds administered by the Roman Catholic Archbishop of Boston in the amount of \$27,318,000.