

**Audited
Financial Statements**

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

June 30, 2006

Blessed John XXIII National Seminary, Inc.

Audited Financial Statements

June 30, 2006

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G.T. Reilly & Company
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INDEPENDENT AUDITORS' REPORT

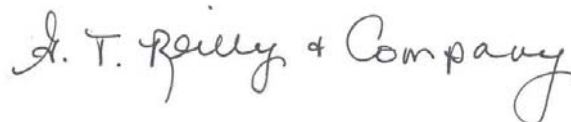
To the Trustees
Blessed John XXIII National Seminary, Inc.

We have audited the accompanying statements of financial position of Blessed John XXIII National Seminary, Inc. as of June 30, 2006 and 2005, and the related statements of activities, 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, 2006 and 2005, 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 July 28, 2006, on our consideration of Blessed John XXIII National Seminary, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



G. T. Reilly & Company

Milton, Massachusetts
July 28, 2006

Blessed John XXIII National Seminary, Inc.

Statements of Financial Position

June 30

	<u>2006</u>	<u>2005</u>
<u>Assets</u>		
Cash and cash equivalents	\$1,509,580	\$1,273,113
Interest and dividends receivable	41,121	33,986
Contributions receivable	99,468	7,900
Inventories (Note 1)	10,500	8,500
Prepaid expenses	25,845	16,208
Investments at fair value (Notes 1 & 2)	4,003,764	3,440,074
Interest in net assets of the Catholic Foundation (Notes 1 & 3)	2,608,042	3,052,040
Property and equipment, net (Notes 1 & 4)	<u>1,260,735</u>	<u>1,093,574</u>
 TOTAL ASSETS	 <u>\$9,559,055</u>	 <u>\$8,925,395</u>

Liabilities and Net Assets

Liabilities:

Accounts payable and accrued expenses	\$ 119,861	\$ 40,641
Other advances	0	100,000
	<u>119,861</u>	<u>140,641</u>

Net Assets (Notes 1 & 8):

Unrestricted:

Board designated for capital improvements	1,062,937	702,639
Board designated for endowments	315,317	0
Undesignated	<u>1,525,955</u>	<u>1,813,396</u>
	<u>2,904,209</u>	<u>2,516,035</u>

Temporarily restricted	4,100,438	4,095,072
Permanently restricted	<u>2,434,547</u>	<u>2,173,647</u>
	<u>9,439,194</u>	<u>8,784,754</u>

 TOTAL LIABILITIES AND NET ASSETS	 <u>\$9,559,055</u>	 <u>\$8,925,395</u>
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Blessed John XXIII National Seminary, Inc.

Statements of Activities

Year Ended June 30

	2006				2005			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS & OTHER SUPPORT								
Tuition (Note 5)	\$1,136,250	\$ 0	\$ 0	\$1,136,250	\$ 992,000	\$ 0	\$ 0	\$ 992,000
Fundraising - special events	198,833	0	0	198,833	179,863	0	0	179,863
Gifts and bequests	19,857	25,000	0	44,857	66,930	25,000	0	91,930
Contributions	375,948	140,000	260,900	776,848	517,053	0	1,900	518,953
Investment interest and dividends	68,920	112,265	0	181,185	38,443	109,331	0	147,774
Miscellaneous income	5,478	0	0	5,478	960	0	0	960
Matching gifts	161,528	0	0	161,528	151,887	0	0	151,887
Contributed services & property (Notes 1 & 7)	437,067	0	0	437,067	446,665	0	0	446,665
Net realized and unrealized gains (losses) on investments (Note 1)	13,335	123,427	0	136,762	14,024	74,396	0	88,420
Interest in change in net assets of the Catholic Foundation (Notes 1 & 3)	0	120,904	0	120,904	0	803,265	18,183	821,448
Net assets released from restrictions through satisfaction of use restrictions (Note 8)	516,230	(516,230)	0	0	205,924	(205,924)	0	0
TOTAL REVENUES, GAINS & SUPPORT	2,933,446	5,366	260,900	3,199,712	2,613,749	806,068	20,083	3,439,900
EXPENSES								
Instruction	624,248	0	0	624,248	640,590	0	0	640,590
Library	154,101	0	0	154,101	147,137	0	0	147,137
Student activities	3,226	0	0	3,226	3,239	0	0	3,239
Administrative – General	629,680	0	0	629,680	578,398	0	0	578,398
Operation & maintenance of plant	286,921	0	0	286,921	306,564	0	0	306,564
Development	250,696	0	0	250,696	234,732	0	0	234,732
Household expenses	498,713	0	0	498,713	468,606	0	0	468,606
Depreciation	97,687	0	0	97,687	89,537	0	0	89,537
TOTAL EXPENSES	2,545,272	0	0	2,545,272	2,468,803	0	0	2,468,803
INCREASE IN NET ASSETS	388,174	5,366	260,900	654,440	144,946	806,068	20,083	971,097
NET ASSETS AT BEGINNING OF YEAR	2,516,035	4,095,072	2,173,647	8,784,754	2,371,089	3,289,004	2,153,564	7,813,657
NET ASSETS AT END OF YEAR	\$2,904,209	\$4,100,438	\$2,434,547	\$9,439,194	\$2,516,035	\$4,095,072	\$2,173,647	\$8,784,754

Blessed John XXIII National Seminary, Inc.

Statements of Cash Flows

For the Year Ended June 30

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 654,440	\$ 971,097
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	97,687	89,537
Net realized and unrealized gains on investments	(136,762)	(88,420)
Interest in change in net assets of the Catholic Foundation	(120,904)	(821,448)
Transfer of assets from the Catholic Foundation	564,902	177,578
Changes in operating assets and liabilities:		
Accrued interest and dividends receivable	(7,135)	(208)
Prepaid expenses and other assets	(9,637)	2,124
Contributions and other receivables	(91,568)	(400)
Inventories	(2,000)	(1,000)
Accounts payable and accrued expenses	(20,780)	876
Other advances	<u>0</u>	<u>100,000</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>928,243</u>	<u>429,736</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(264,848)	(125,007)
Purchase of investments, net	<u>(426,928)</u>	<u>(31,140)</u>
NET CASH APPLIED TO INVESTING ACTIVITIES	<u>(691,776)</u>	<u>(156,147)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	236,467	273,589
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,273,113</u>	<u>999,524</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$1,509,580</u>	<u>\$1,273,113</u>

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements

June 30, 2006

Note 1 - Principal Activity and Summary of Significant Accounting Policies

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

Financial Statement Presentation - The Seminary reports information regarding its financial position and activities according to three classes of net assets as determined by donor-imposed restrictions: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. See Note 8 regarding restrictions on net assets. Board-designated net assets are included in unrestricted net assets and consist of net assets designated by the Board of Trustees for capital improvements, and 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, 2006 or 2005.

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

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

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

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

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

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements (Cont.)

June 30, 2006

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

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.

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

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

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

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

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

Note 2 - Investments

Investments consist of the following at June 30:

	2006		2005	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common Investment Fund, Roman Catholic Archbishop of Boston	<u>\$3,063,343</u>	<u>\$4,003,764</u>	<u>\$2,457,241</u>	<u>\$3,440,074</u>

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements (Cont.)

June 30, 2006

Note 2 - Investments (Cont.)

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

The Seminary currently receives a quarterly distribution from the Common Investment Fund equaling 1% (4% annually) of the prior quarter's fair market value.

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

The Seminary is the beneficiary of restricted donations collected on its behalf by the Foundation, a related party. As discussed in Note 1, "Accounting for Assets Held by Others", the Seminary has recorded as an asset its interest in the Foundation's net assets, which approximated \$2,608,000 at June 30, 2006 (\$3,052,000 at June 30, 2005). The change in the Seminary's interest is reflected in the statement of activities as an increase in net assets of \$120,904 and \$821,448 in 2006 and 2005, respectively. Transfers of funds from the Foundation totaled \$564,902 and \$177,578 for the years ended June 30, 2006 and 2005, respectively.

Note 4 - Property and Equipment

	<u>2006</u>	<u>2005</u>
Land	\$ 116,140	\$ 116,140
Building	424,903	424,903
Building improvements	1,049,429	847,354
Furniture and equipment	824,080	756,488
Motor vehicles	<u>29,072</u>	<u>35,357</u>
	<u>2,443,624</u>	<u>2,180,242</u>
Less accumulated provisions for depreciation	<u>1,182,889</u>	<u>1,086,668</u>
	<u>\$1,260,735</u>	<u>\$1,093,574</u>

Depreciation expense totaled \$97,687 and \$89,537 for the years ended June 30, 2006 and 2005, respectively.

Note 5 - Related Party Transactions

The Seminary received \$185,000 in 2006 (\$162,000 in 2005) from the Archdiocese of Boston, representing tuition for registered Boston students.

During the years ended June 30, 2006 and 2005, the Seminary was charged \$162,995 and \$190,328, respectively, for health, life, disability and property insurance administered by the Roman Catholic Archdiocese of Boston, A Corporation Sole.

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements (Cont.)

June 30, 2006

Note 6 - Employee Pension Plan

The Seminary participates with other Catholic organizations in a multi-employer, noncontributory, defined benefit pension plan covering substantially all lay employees. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the "Pension Plan"). The Seminary's employees comprise less than 1% of all lay employees covered. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension expense allocated to the Seminary is based on payroll cost and amounted to \$39,000 and \$40,000 for the years ended June 30, 2006 and 2005, respectively.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the multi-employer Pension Plan and, accordingly, such information is not presented herein. The June 30, 2006 audited financial statements of the Pension Plan reflect approximately \$258 million in net assets available for benefits and \$267 million in accumulated plan benefits under the Pension Plan.

Note 7 - Contributed Services and Property

For the years ended June 30, 2006 and 2005, the Seminary recorded contributions in the amount of \$437,067 and \$440,380, respectively, for the services performed by priests who serve as faculty. These amounts represent the differences between the actual compensation paid and the estimated compensation that would be paid to laypersons performing the same services. (See Note 1)

Note 8 - Restricted Net Assets

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

	<u>2006</u>	<u>2005</u>
Restricted for:		
Student scholarships	\$ 258,414	\$ 273,313
Homiletics	0	17,201
Foreign ministry students	46,303	42,936
Development office	16,974	33,948
Building renovations and operations	155,165	151,463
Masses	291,433	268,752
Needy students	62,713	65,302
Theology Chair	3,646	3,276
Field education office and workshops	37,365	0
Promise for Tomorrow case statement	642,300	138,550
Interest in temporarily restricted net assets of the Catholic Foundation	<u>1,685,023</u>	<u>2,126,271</u>
	<u>3,199,336</u>	<u>3,121,012</u>
Unrealized gains and losses on investments related to permanently restricted net assets (Note 1)	<u>901,102</u>	<u>974,060</u>
	<u>\$4,100,438</u>	<u>\$4,095,072</u>

Blessed John XXIII National Seminary, Inc.

Notes to Financial Statements (Cont.)

June 30, 2006

Note 8 - Restricted Net Assets (Cont.)

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

	<u>2006</u>	<u>2005</u>
Income restricted for:		
Student scholarships	\$ 363,321	\$ 363,321
Rector fund for needy students	35,000	35,000
Theology Chair	346,536	346,236
Field Education Director's Office	260,000	0
Operations	488,488	487,888
Promise for Tomorrow case statement	18,183	15,433
Interest in permanently restricted net assets of the Catholic Foundation	<u>923,019</u>	<u>925,769</u>
	<u>\$2,434,547</u>	<u>\$2,173,647</u>

During the years ended June 30, 2006 and 2005, 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>2006</u>	<u>2005</u>
Student scholarships granted	\$ 136,257	\$ 42,796
Operating expenses incurred	202,386	100,356
Building renovations	100,000	0
Homiletics	17,200	0
Needy students	6,476	1,721
Theology Chair	13,437	13,051
Foreign ministry student scholarships	23,500	18,000
Development office expenses	<u>16,974</u>	<u>30,000</u>
	<u>\$ 516,230</u>	<u>\$ 205,924</u>

Note 9 - Financial Instruments and Concentrations of Credit Risk

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

The Seminary maintains its cash accounts in high quality financial institutions. At times, the amounts on deposit at any institution are in excess of insured limits. At June 30, 2006, the excess approximated \$1,266,000 based on bank balances. Cash equivalents consist of uninsured money market accounts and approximate \$68,000 at June 30, 2006.

As more fully discussed in Note 2, the Seminary's investments consist solely of a common investment fund administered by the Roman Catholic Archdiocese of Boston in the amount of \$4,003,764 at June 30, 2006.

As more fully discussed in Note 3, the Seminary has a beneficial interest in the net assets of the Catholic Foundation in the approximate amount of \$2,608,000 at June 30, 2006.

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

To the Trustees
Blessed John XXIII National Seminary, Inc.

We have audited the financial statements of Blessed John XXIII National Seminary, Inc. as of and for the year ended June 30, 2006, and have issued our report thereon dated July 28, 2006. 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.

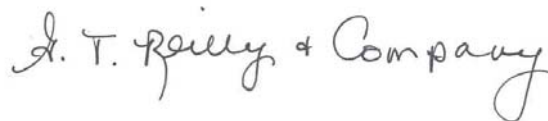
Compliance

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 grants, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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.



G. T. Reilly & Company
Milton, Massachusetts
July 28, 2006