

THE PROPAGATION OF THE FAITH
OF BOSTON, INC.

Financial Statements and Additional Information
for the Years Ended December 31, 2005 and 2004
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.
Boston, Massachusetts

We have audited the accompanying statements of financial position of The Propagation of the Faith of Boston, Inc. (a nonprofit organization) as of December 31, 2005 and 2004, and the related statements of activities and cash flows for the years 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 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.

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, 2005 and 2004, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Walsh, Jastrem & Browne, LLP

May 15, 2006

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
ASSETS:		
Cash and cash equivalents	\$ 936,461	\$ 2,397,280
Leasehold improvements, net of accumulated amortization	<u>-</u>	<u>11,852</u>
Total assets	<u>\$ 936,461</u>	<u>\$ 2,409,132</u>

LIABILITIES AND NET ASSETS

LIABILITIES - accrued rent	<u>\$ 91,961</u>	<u>\$ 145,359</u>
NET ASSETS:		
Unrestricted	<u>802,937</u>	<u>2,245,913</u>
Temporarily restricted:		
Mission Cooperative Plan	5,453	1,430
Mass offerings	36,110	16,430
Designated gifts	<u>-</u>	<u>-</u>
Total temporarily restricted	<u>41,563</u>	<u>17,860</u>
Total net assets	<u>844,500</u>	<u>2,263,773</u>
Total liabilities and net assets	<u>\$ 936,461</u>	<u>\$ 2,409,132</u>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
 STATEMENTS OF ACTIVITIES
 YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005			2004		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Bequests	\$ 942,895	\$ 24,900	\$ 967,795	\$ 1,437,923	\$ 6,500	\$ 1,444,423
Personal donations	488,545		488,545	935,082		935,082
Christmas appeal	51,595		51,595	62,392		62,392
Lenten appeal	47,262		47,262	45,622		45,622
Summer appeal	39,658		39,658	33,010		33,010
Mother's Day appeal	30,450		30,450	29,280		29,280
Good Samaritan Club	18,219		18,219	19,268		19,268
Schools (Holy Childhood)	10,155		10,155	13,567		13,567
Perpetual and special memberships	14,390		14,390	11,030		11,030
Interest income	48,916		48,916	11,291		11,291
Mission Cooperative Plan		509,575	509,575		498,709	498,709
Mass offerings		88,210	88,210		73,274	73,274
Designated gifts		52,641	52,641		46,259	46,259
	<u>1,692,085</u>	<u>675,326</u>	<u>2,367,411</u>	<u>2,598,465</u>	<u>624,742</u>	<u>3,223,207</u>
Net assets released from restrictions:						
Mission Cooperative Plan	505,552	(505,552)		512,896	(512,896)	
Mass offerings	93,430	(93,430)		82,204	(82,204)	
Designated gifts	52,641	(52,641)		46,259	(46,259)	
Total restricted mission payments	<u>651,623</u>	<u>(651,623)</u>		<u>641,359</u>	<u>(641,359)</u>	
Total support and revenue	<u>2,343,708</u>	<u>23,703</u>	<u>2,367,411</u>	<u>3,239,824</u>	<u>(16,617)</u>	<u>3,223,207</u>
EXPENSES:						
Program distributions:						
Annual distribution	2,303,780		2,303,780	1,819,590		1,819,590
Restricted mission distributions	651,623		651,623	641,359		641,359
Other mission distributions	108,035		108,035	32,834		32,834
Total program distributions	<u>3,063,438</u>		<u>3,063,438</u>	<u>2,493,783</u>		<u>2,493,783</u>
Supporting services	723,246		723,246	785,670		785,670
Total expenses	<u>3,786,684</u>		<u>3,786,684</u>	<u>3,279,453</u>		<u>3,279,453</u>
CHANGE IN NET ASSETS	(1,442,976)	23,703	(1,419,273)	(39,629)	(16,617)	(56,246)
NET ASSETS AT BEGINNING OF YEAR	<u>2,245,913</u>	<u>17,860</u>	<u>2,263,773</u>	<u>2,285,542</u>	<u>34,477</u>	<u>2,320,019</u>
NET ASSETS AT END OF YEAR	<u>\$ 802,937</u>	<u>\$ 41,563</u>	<u>\$ 844,500</u>	<u>\$ 2,245,913</u>	<u>\$ 17,860</u>	<u>\$ 2,263,773</u>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash contributions - unrestricted	\$ 1,643,169	\$ 2,587,174
Cash contributions - temporarily restricted	675,326	624,742
Interest income	48,916	11,291
Cash received for annuities	30,000	10,000
Program distributions paid	(3,063,438)	(2,493,783)
Supporting services	(723,246)	(785,670)
Increase (decrease) in accrued rent	(53,398)	145,359
Amortization of leasehold improvements	11,852	11,851
Cash paid for annuities	<u>(30,000)</u>	<u>(10,000)</u>
Net cash (used in) provided by operating activities and net (decrease) increase in cash	(1,460,819)	100,964
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>2,397,280</u>	<u>2,296,316</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 936,461</u>	<u>\$ 2,397,280</u>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2005 AND 2004

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”).

Basis of accounting

The Organization generally accounts for transactions on the cash basis. As of December 31, 2005 and 2004, the Organization has recorded accrued rent (see Note 2). The omission of other accrual entries has no material effect on the financial position or changes in net assets.

Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements for Not-for-Profit Organizations. Under SFAS No. 117, 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
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recognized when received. 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, and Mass offerings 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. The annual distribution is made to the United States national office of The Society for the Propagation of the Faith, with a request to allocate such distribution to various Catholic missionary organizations. Other mission distributions are paid directly to missions or missionaries throughout the year.

Cash equivalents

The Society considers money market savings accounts and all highly liquid investments that are near cash in nature to be cash equivalents.

Income taxes

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

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)

Note 1. Nature of Activities and Summary of Significant Accounting Policies (continued)

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.

The most significant estimate relates to rent expense and accrued rent. As disclosed in Note 2, no agreement exists regarding the Organization's rent obligations for its office space. The recorded amounts have been estimated and may be adjusted as more exact terms are specified.

Property and equipment

Leasehold improvements are being amortized over a five year period. All other property and equipment have been fully depreciated and therefore no amounts related to such property and equipment are included in the statement of financial position.

Note 2. Commitments – Operating lease

The Organization rents its facilities, as a tenant at will, in a portion of a building leased by the Archdiocese. No formal agreement between the Organization and the Archdiocese regarding rent and operating expenses exists. The Organization paid no rent during 2004, but accrued a tentative rent expense of \$145,359 as of December 31, 2004, of which \$42,753 represented additional rent for 2003. During 2005, the Organization recorded an estimated expense of \$115,932 for rent and related operating expenses, and paid \$169,330 toward the prior and current rent accruals, leaving an estimated balance due of \$91,961.

Note 3. Pension expense

Employees of the Organization participate in a pension plan maintained by the Archdiocese. The plan is non-contributory and the Organization's pension plan expense for 2005 and 2004 was \$11,675 and \$5,958, respectively.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
 NOTES TO FINANCIAL STATEMENTS
 YEARS ENDED DECEMBER 31, 2005 AND 2004
 (Continued)

Note 4. Other related-party transactions

The Organization purchases appeal materials and printing from an affiliate, the United States national office of The Society for the Propagation of the Faith. Such purchases amounted to \$67,213 in 2005 and \$105,169 in 2004. The Organization also purchases transition assistance (unemployment insurance), worker's compensation, and general casualty and liability insurance through the Archdiocese, totaling \$3,481 in 2005 and \$5,786 in 2004.

Note 5. Concentration of credit risk

The Organization's cash and cash equivalents are maintained in accounts in one federally insured bank. This bank is a large, high credit quality financial institution. The amount on deposit is frequently well in excess of the federally insured limit. The Organization also has a money market saving account with the same bank. As of December 31, 2005, cash and cash equivalents consisted of the following:

Cash in checking account	\$ 321,167
Cash in money market savings account	22,247
Repurchase agreement	775,284
Deposits in transit	24,390
Subtotal	<u>1,143,088</u>
Less outstanding checks	206,627
Total cash and cash equivalents	<u><u>\$ 936,461</u></u>

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(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 years ended December 31, 2005 and 2004 are as follows:

	<u>2005</u>			Total
	<u>Mission Cooperative Plan</u>	<u>Mass Offerings (Stipends)</u>	<u>Designated Gifts</u>	<u>Temporarily Restricted Net Assets</u>
Temporarily restricted:				
Net assets, beginning of year	\$ 1,430	\$ 16,430	\$ -	\$ 17,860
Contributions received	509,575	88,210	52,641	650,426
Bequests received	-	24,900	-	24,900
Available	<u>511,005</u>	<u>129,540</u>	<u>52,641</u>	<u>693,186</u>
Less distributions made	<u>505,552</u>	<u>93,430</u>	<u>52,641</u>	<u>651,623</u>
Net assets, end of year	<u>\$ 5,453</u>	<u>\$ 36,110</u>	<u>\$ -</u>	<u>\$ 41,563</u>
	<u>2004</u>			Total
	<u>Mission Cooperative Plan</u>	<u>Mass Offerings (Stipends)</u>	<u>Designated Gifts</u>	<u>Temporarily Restricted Net Assets</u>
Temporarily restricted:				
Net assets, beginning of year	\$ 15,617	\$ 18,860	\$ -	\$ 34,477
Contributions received	498,709	73,274	46,259	618,242
Bequests received	-	6,500	-	6,500
Available	<u>514,326</u>	<u>98,634</u>	<u>46,259</u>	<u>659,219</u>
Less distributions made	<u>512,896</u>	<u>82,204</u>	<u>46,259</u>	<u>641,359</u>
Net assets, end of year	<u>\$ 1,430</u>	<u>\$ 16,430</u>	<u>\$ -</u>	<u>\$ 17,860</u>

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004
(Continued)

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 totaled \$30,000 and \$10,000 in 2005 and 2004, respectively.

Note 8. Functional expenses

The Organization's program distributions have been summarized on a functional basis in the statement of activities. The principal functional activity of the Organization's supporting services are fund raising and related 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 coordinates the Mission Cooperative Plan within various parishes, and provides for overall administration and management. The Organization's supporting services consist primarily of staff payroll and related payroll expenses, office rent 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 service expenses.



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INDEPENDENT AUDITORS' REPORT ON ADDITIONAL INFORMATION

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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information for the years ended December 31, 2005 and 2004, presented on the following page, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the management of The Propagation of the Faith of Boston, Inc. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

Walsh, Jastrem & Browne, LLP

May 15, 2006

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

SCHEDULES OF SUPPORTING SERVICES

YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
Payroll expenses:		
Salaries and wages	\$ 258,893	\$ 243,743
Group life and health insurance	29,968	29,557
Payroll taxes	16,797	15,743
Pension expense	11,675	5,958
Total payroll expenses	<u>317,333</u>	<u>295,001</u>
Rent	115,932	145,359
Printing	91,069	99,959
Appeal materials	67,213	105,169
Postage	36,257	37,379
Religious supplies	17,856	29,508
Advertising and publicity	12,329	13,783
Amortization of leasehold improvements	11,852	11,851
Professional fees	10,250	7,900
Equipment rental and repairs	9,323	8,088
Office supplies and expenses	7,587	6,368
Utilities	6,263	5,500
Express and shipping	4,142	4,053
Insurance	3,481	5,786
Telephone	3,079	3,168
Bank charges	1,737	4,454
Educational	1,500	1,100
Travel and meetings	-	1,244
Miscellaneous	<u>6,043</u>	<u>-</u>
Total	<u>\$ 723,246</u>	<u>\$ 785,670</u>

See independent accountants' report on additional information.