

**Audited
Financial Statements**

**Boston Catholic
Television Center, Inc.**

June 30, 2007

Boston Catholic Television Center, Inc.

Audited Financial Statements

June 30, 2007

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

G.T. Reilly & Company
Internationally,
Moore Stephens Reilly, P.C.
Reilly Consulting Group, Inc.
ReillyTech
Reilly Benefits
Reilly Small Business Group

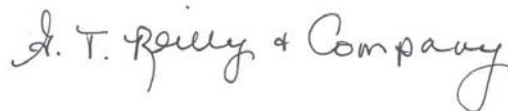
INDEPENDENT AUDITORS' REPORT

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, 2007 and 2006, 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, 2007 and 2006, 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
October 17, 2007

Boston Catholic Television Center, Inc.

Statements of Financial Position

June 30

	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Cash and cash equivalents (Note 1)	\$ 1,390,541	\$ 1,889,747
Accounts receivable, lessee (Note 4)	4,000	8,200
Accrued interest and dividends receivable	259,827	282,667
Investments at market value (Notes 1 & 2)	25,998,142	27,318,426
Prepaid expenses and other assets	72,681	89,049
Leasehold improvements, vehicle and equipment, net (Notes 1 & 3)	357,907	397,112
Land and building under renovation (Note 7)	8,444,504	2,301,434
	<u>8,444,504</u>	<u>2,301,434</u>
TOTAL ASSETS	<u>\$ 36,527,602</u>	<u>\$ 32,286,635</u>
 <u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 425,847	\$ 342,877
Construction payable and accrued expenses	2,063,932	
Due to affiliate (Note 7)	76,278	76,278
	<u>2,566,057</u>	<u>419,155</u>
Net Assets (Notes 1 & 8)		
Unrestricted	27,475,695	25,940,597
Temporarily restricted	1,460,850	901,883
Permanently restricted	5,025,000	5,025,000
	<u>33,961,545</u>	<u>31,867,480</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 36,527,602</u>	<u>\$ 32,286,635</u>

Boston Catholic Television Center, Inc.

Statements of Activities and Changes in Net Assets

	Year Ended June 30, 2007				Year Ended June 30, 2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS & OTHER SUPPORT:								
Contributions	\$ 1,447,077	\$ 75,396	\$ -	\$ 1,522,473	\$ 1,317,904	\$ 71,095	\$ -	\$ 1,388,999
Legacies and bequests	653,950	240,000	-	893,950	738,975	648,000	-	1,386,975
Investment income	887,623	247,531	-	1,135,154	895,031	236,385	-	1,131,416
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)	562,124	(562,124)	-	-	956,107	(956,107)	-	-
Net realized & unrealized gains on investments (Notes 1 & 2)	1,621,552	558,164	-	2,179,716	632,364	239,062	-	871,426
Other	33,605	-	-	33,605	1,125	-	-	1,125
TOTAL REVENUES, GAINS & OTHER SUPPORT	5,253,931	558,967	-	5,812,898	4,589,506	238,435	-	4,827,941
EXPENSES								
Salaries	1,106,106			1,106,106	1,087,550			1,087,550
Payroll taxes	72,282			72,282	68,646			68,646
Fringe Benefits	213,509			213,509	191,698			191,698
Fundraising	101,593			101,593	103,455			103,455
Broadcasting	498,969			498,969	541,007			541,007
Occupancy	744,149			744,149	489,892			489,892
Contract services	215,232			215,232	126,963			126,963
Supplies and materials	244,292			244,292	164,246			164,246
Maintenance of equipment	28,581			28,581	56,290			56,290
Postage	39,922			39,922	33,693			33,693
Legal and accounting	164,796			164,796	55,038			55,038
Service fees	2,381			2,381	1,826			1,826
Telephone	52,835			52,835	44,585			44,585
Depreciation and amortization	122,939			122,939	273,283			273,283
Miscellaneous	111,247			111,247	118,038			118,038
TOTAL EXPENSES	3,718,833	-	-	3,718,833	3,356,210	-	-	3,356,210
INCREASE IN NET ASSETS	1,535,098	558,967	-	2,094,065	1,233,296	238,435	-	1,471,731
NET ASSETS AT BEGINNING OF YEAR	25,940,597	901,883	5,025,000	31,867,480	24,707,301	663,448	5,025,000	30,395,749
NET ASSETS AT END OF YEAR	\$ 27,475,695	\$ 1,460,850	\$ 5,025,000	\$ 33,961,545	\$ 25,940,597	\$ 901,883	\$ 5,025,000	\$ 31,867,480

Boston Catholic Television Center, Inc.

Statements of Cash Flows

Year Ended June 30

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,094,065	\$ 1,471,731
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	122,939	273,282
Donated equipment	(39,139)	0
(Gain) loss on disposal of leasehold improvements, vehicles and equipment	(30,000)	6,352
Net realized and unrealized gains on investments	(2,179,716)	(871,426)
Changes in operating assets and liabilities:		
Accounts receivable	4,200	(3,613)
Accrued interest and dividends receivable	22,840	(22,587)
Prepaid expenses and other assets	16,368	(24,132)
Accounts payable and accrued expenses	<u>2,146,902</u>	<u>246,523</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>2,158,459</u>	<u>1,076,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of securities	3,500,000	0
Land and building under renovation	(6,143,070)	(429,757)
Additions to equipment and vehicles	(44,595)	(136,738)
Proceeds from sale of motor vehicle	<u>30,000</u>	<u>0</u>
NET CASH APPLIED TO INVESTING ACTIVITIES	<u>(2,657,665)</u>	<u>(566,495)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(499,206)	509,635
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>1,889,747</u>	<u>1,380,112</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,390,541</u>	<u>\$ 1,889,747</u>

Boston Catholic Television Center, Inc.

Notes to Financial Statements

June 30, 2007

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. Leasehold improvements on terminated leases are amortized over the remaining terms of the lease. The net book value of leasehold improvements approximates \$17,000 at June 30, 2007.

Contributions and Donor Restrictions - Contributions receivable that are unconditional promises to give are recognized as revenues in the period made 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 support, 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>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Common Investment Fund, Roman Catholic Archbishop of Boston	\$17,266,262	\$23,383,976	\$19,910,616	\$24,699,280
Fixed Income Investment Fund, Roman Catholic Archbishop of Boston	<u>2,678,745</u>	<u>2,614,166</u>	<u>2,678,745</u>	<u>2,619,146</u>
	<u>\$19,945,007</u>	<u>\$25,998,142</u>	<u>\$22,589,361</u>	<u>\$27,318,426</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 \$1,066,361 and \$1,086,298 for the years ended June 30, 2007 and 2006, 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>2007</u>	<u>2006</u>
Common Investment Fund, Roman Catholic Archbishop of Boston	\$2,184,696	\$1,006,943
Fixed Income Investment Fund, Roman Catholic Archbishop of Boston	<u>(4,980)</u>	<u>(135,517)</u>
Net appreciation in fair value	<u>\$2,179,716</u>	<u>\$ 871,426</u>

Note 3 - Leasehold Improvements, Vehicle and Equipment

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

	<u>2007</u>	<u>2006</u>
Leasehold improvements	\$ 348,730	\$ 348,730
Motor vehicle	63,863	110,835
Equipment	<u>8,000,869</u>	<u>7,917,135</u>
	<u>8,413,462</u>	<u>8,376,700</u>
Less accumulated provisions for depreciation and amortization	<u>8,055,555</u>	<u>7,979,588</u>
	<u>\$ 357,907</u>	<u>\$ 397,112</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. During 2007, the Corporation entered into a lease amendment since it is moving out of its principal place of business in July, 2007 (Note 7). The agreement requires the Corporation to pay the base rent through September, 2007 at which time it will pay a one time payment of \$325,000 in full satisfaction of all future payments required under the lease. This commitment is being amortized over the remaining life of the lease with amortization of \$243,750 recorded in 2007 and a commitment of \$81,250 included below.

Future minimum lease commitments are as follows:

<u>Year Ending</u> <u>June 30</u>	
2008	\$ 269,000
2009	17,000
2010	<u>13,000</u>
	<u>\$ 299,000</u>

Rent expense under the terms of these leases approximated \$725,000 and \$444,000 for the years ended June 30, 2007 and 2006, 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, 2007 and 2006, the lease generated revenue 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, 2007 and 2006 was approximately \$64,000 and \$59,000, respectively.

Note 6 - Contributed Services

For the years ended June 30, 2007 and 2006, the Corporation recorded contributions in the amount of \$110,979 and \$107,747, 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, 2007 and 2006, the Corporation was charged \$167,626 and \$152,940, respectively, for health, life, disability and general 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 (see Note 9).

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, 2007 and 2006, \$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>2007</u>	<u>2006</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>2007</u>	<u>2006</u>
Restricted for religious programming and education	\$ 63,431	\$ 60,973
Restricted for Masses	317	1,972
Unrealized gains on investments related to permanently restricted net assets (Notes 1 & 2)	<u>1,397,102</u>	<u>828,938</u>
	<u>\$1,460,950</u>	<u>\$ 901,883</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>2007</u>	<u>2006</u>
Religious programming and education	\$ 243,842	\$ 230,526
Sunday Masses	975	922
Masses	1,911	5,564
Land and building renovations	<u>315,396</u>	<u>719,095</u>
	<u>\$ 562,124</u>	<u>\$ 956,107</u>

Note 9 - Construction Commitment

The Corporation has entered into two major contracts relating to the renovation of land and building for new facilities in Watertown, Massachusetts, totaling approximately \$5,183,000 plus change orders. At June 30, 2007, the Corporation has incurred and capitalized \$5,052,600 under these two contracts, resulting in an approximate remaining commitment of \$130,400 plus \$575,000 in change orders, which management estimates will be incurred and capitalized in early 2008. Total costs of the purchase and renovation project are expected to approximate \$9.7 million. Construction is funded through contributions and unrestricted investments of the Corporation.

Note 10 - 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, 2007, based on bank balances, cash in excess of the FDIC insurance limit approximated \$736,000. The Corporation's cash equivalents consist of \$835,000 in uninsured money market funds at June 30, 2007.

As more fully disclosed in Note 2, the Corporation's investments at June 30, 2007 consist of mutual funds administered by the Roman Catholic Archbishop of Boston in the amount of \$25,998,000.

The Corporation has entered into two major construction contracts related to the land and building under renovation, aggregating approximately \$5,183,000. Approximately \$4,733,100 or 91% of the aggregate contract costs are related to a contract with one contractor. At June 30, 2007, remaining performance under this contract approximates \$122,700. At June 30, 2007, construction payable and accrued costs to this contractor approximate \$1,855,900 or 83% of total accounts payable.