

THE PROPAGATION OF THE FAITH
OF BOSTON, INC.

Financial Statements
for the Years Ended December 31, 2012 and 2011
and Independent Auditors' Report

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

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Walsh, Jastrem & Browne, LLP

Certified
Public Accountants
& Consultants

Seaport West
155 Seaport Boulevard
Boston, MA 02210
617 227 3333
617 227 5430 Fax
www.wjbcpas.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Propagation of the Faith of Boston, Inc. (a Massachusetts nonprofit organization) (the "Organization"), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



Auditor's Responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified 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. Consequently, we were unable to determine whether any adjustments to those amounts were necessary.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of The Propagation of the Faith of Boston, Inc., as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Walsh, Jastrem & Browne, LLP

July 10, 2013

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Cash and cash equivalents	<u>\$ 1,117,951</u>	<u>\$ 1,489,340</u>
Total assets	<u>\$ 1,117,951</u>	<u>\$ 1,489,340</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 948	\$ 4,342
Accrued annual distribution liability to National Office	<u>906,874</u>	<u>1,345,884</u>
Total liabilities	<u>907,822</u>	<u>1,350,226</u>
<u>NET ASSETS:</u>		
Unrestricted	<u>(680)</u>	<u>(4,097)</u>
Temporarily restricted:		
Mass offerings	127,723	56,979
Designated gifts	-	65
Society of St. Peter the Apostle	63,136	69,982
Holy Childhood Association	<u>19,950</u>	<u>16,185</u>
Total temporarily restricted	<u>210,809</u>	<u>143,211</u>
Total net assets	<u>210,129</u>	<u>139,114</u>
Total liabilities and net assets	<u>\$ 1,117,951</u>	<u>\$ 1,489,340</u>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE:						
Ordinary donations	\$ 741,592	\$ -	\$ 741,592	\$ 769,734	\$ -	\$ 769,734
Legacies	617,790	-	617,790	1,018,529	-	1,018,529
Merchandise sales	1,643	-	1,643	757	-	757
Christmas appeal	24,425	-	24,425	28,223	-	28,223
Lenten appeal	26,921	-	26,921	24,793	-	24,793
Society of St. Peter the Apostle donations	12,972	63,136	76,108	3,053	69,982	73,035
Perpetual and special memberships	5,606	-	5,606	7,470	-	7,470
Holy Childhood Association donations	-	19,950	19,950	1,943	16,185	18,128
Interest income	4,411	-	4,411	7,235	-	7,235
Mission Cooperative Plan donations	-	525,754	525,754	-	453,198	453,198
Mass offerings	-	152,074	152,074	-	69,077	69,077
Designated gifts	-	40,578	40,578	-	56,799	56,799
Mother's and Father's Day appeals	-	-	-	683	-	683
	<u>1,435,360</u>	<u>801,492</u>	<u>2,236,852</u>	<u>1,862,420</u>	<u>665,241</u>	<u>2,527,661</u>
Net assets released from restrictions:						
Mission Cooperative Plan	525,754	(525,754)	-	462,261	(462,261)	-
Mass offerings	81,330	(81,330)	-	110,980	(110,980)	-
Designated gifts	40,643	(40,643)	-	56,799	(56,799)	-
Society of St. Peter the Apostle	69,982	(69,982)	-	64,051	(64,051)	-
Holy Childhood Association	16,185	(16,185)	-	719	(719)	-
Total net assets released from restrictions	<u>733,894</u>	<u>(733,894)</u>	<u>-</u>	<u>694,810</u>	<u>(694,810)</u>	<u>-</u>
Total support and revenue	<u>2,169,254</u>	<u>67,598</u>	<u>2,236,852</u>	<u>2,557,230</u>	<u>(29,569)</u>	<u>2,527,661</u>
EXPENSES:						
Program services:						
Annual distribution to National Office	866,835	-	866,835	1,307,982	-	1,307,982
Restricted mission distributions	733,894	-	733,894	694,810	-	694,810
Other mission distributions	40,039	-	40,039	37,902	-	37,902
Total program expenses	<u>1,640,768</u>	<u>-</u>	<u>1,640,768</u>	<u>2,040,694</u>	<u>-</u>	<u>2,040,694</u>
Supporting services	525,069	-	525,069	525,052	-	525,052
Total expenses	<u>2,165,837</u>	<u>-</u>	<u>2,165,837</u>	<u>2,565,746</u>	<u>-</u>	<u>2,565,746</u>
CHANGE IN NET ASSETS	3,417	67,598	71,015	(8,516)	(29,569)	(38,085)
NET ASSETS AT BEGINNING OF YEAR	<u>(4,097)</u>	<u>143,211</u>	<u>139,114</u>	<u>4,419</u>	<u>172,780</u>	<u>177,199</u>
NET ASSETS AT END OF YEAR	<u>\$ (680)</u>	<u>\$ 210,809</u>	<u>\$ 210,129</u>	<u>\$ (4,097)</u>	<u>\$ 143,211</u>	<u>\$ 139,114</u>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			2011		
	<u>Program services</u>	<u>Supporting services</u>	<u>Total</u>	<u>Program services</u>	<u>Supporting services</u>	<u>Total</u>
Annual distribution to						
National Office	\$ 866,835		\$ 866,835	\$ 1,307,982		\$ 1,307,982
Restricted mission distributions	733,894		733,894	694,810		694,810
Other mission distributions	40,039		40,039	37,902		37,902
Payroll expenses:						
Salaries and wages		285,916	285,916		269,569	269,569
Group insurance		35,469	35,469		25,211	25,211
Retirement plan expense		16,230	16,230		20,787	20,787
Payroll taxes		18,399	18,399		19,297	19,297
Total payroll expenses		<u>356,014</u>	<u>356,014</u>		<u>334,864</u>	<u>334,864</u>
Printing		28,599	28,599		49,700	49,700
Professional fees		25,514	25,514		26,764	26,764
Appeal materials		20,420	20,420		9,704	9,704
Office supplies and expenses		17,576	17,576		12,457	12,457
Advertising and publicity		12,814	12,814		12,334	12,334
Postage		12,240	12,240		14,012	14,012
Travel and meetings		10,963	10,963		5,567	5,567
Mission activity		9,006	9,006		19,651	19,651
Bank charges		7,013	7,013		6,322	6,322
Insurance		5,584	5,584		4,987	4,987
Mission Sunday expenses		5,556	5,556		7,666	7,666
Repairs and maintenance		5,275	5,275		-	-
Merchandise and expenses		4,460	4,460		7,383	7,383
Equipment rental		2,034	2,034		4,173	4,173
Telephone		2,001	2,001		1,906	1,906
Other expenses		-	-		7,149	7,149
Express and shipping		-	-		306	306
S.P.F. Gifts		-	-		107	107
Total	<u>\$ 1,640,768</u>	<u>\$ 525,069</u>	<u>\$ 2,165,837</u>	<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.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash contributions - unrestricted	\$ 1,430,949	\$ 1,855,185
Cash contributions - temporarily restricted	801,492	665,241
Cash received for annuities	92,000	81,683
Interest income	4,411	7,235
Program services	(1,640,768)	(2,040,694)
Cash paid for annuities	(92,000)	(81,683)
Supporting services	(525,069)	(525,052)
Decrease in accounts payable	(3,394)	(9,447)
Decrease in accrued annual distribution liability to National Office	<u>(439,010)</u>	<u>(491,006)</u>
Net cash used in operating activities	<u>(371,389)</u>	<u>(538,538)</u>
NET DECREASE IN CASH	(371,389)	(538,538)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,489,340</u>	<u>2,027,878</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,117,951</u>	<u>\$ 1,489,340</u>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 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
YEARS ENDED DECEMBER 31, 2012 AND 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. At December 31, 2012, the accrued liability totaled \$906,874, which includes \$40,039 specifically earmarked for the Catholic Near East Welfare Association. At December 31, 2011, the accrued liability totaled \$1,345,884, which included \$37,902 specifically earmarked for the Catholic Near East Welfare Association.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)

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

Cash equivalents

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

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, 2012 and 2011.

Subsequent events

The Organization evaluates events and transactions that occur after the date of the statements of financial position to determine if any such events or transactions should be recorded or disclosed in the financial statements. For the years ended December 31, 2012 and 2011 the Organization has made such evaluation through July 10, 2013, which is the date the financial statements were available to be issued.

NOTE 2. OFFICE FACILITY

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 years ended December 31, 2012 and 2011.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(Continued)

NOTE 3. RETIREMENT PLANS

The Organization participates in a non-contributory pension plan maintained by the Archdiocese for the benefit of eligible employees. 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 2012 and 2011 was \$11,479 and \$20,787, respectively.

Effective January 1, 2012, the Organization began participating in a newly established 401(k) plan maintained by the Archdiocese. Such plan allows for employee deferrals and a fixed 2% matching contribution by the Organization. For the year ended December 31, 2012, the Organization's expense for this plan amounted to \$4,751.

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 \$923 in 2012 and \$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 \$5,584 in 2012 and \$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, 2012 and 2011, cash and cash equivalents consisted of the following:

	<u>2012</u>	<u>2011</u>
Cash in checking accounts	\$ 293,854	\$ 675,488
Cash in money market savings accounts	835,404	850,497
Deposits in transit	-	-
Subtotal	<u>1,129,258</u>	<u>1,525,985</u>
Less outstanding checks	<u>11,307</u>	<u>36,645</u>
Total cash and cash equivalents	<u>\$ 1,117,951</u>	<u>\$ 1,489,340</u>

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 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 years ended December 31, 2012 and 2011 are as follows:

<u>2012</u>	<u>Balance</u> <u>12/31/11</u>	<u>2012</u> <u>Contributions</u>	<u>2012</u> <u>Distributions</u>	<u>Balance</u> <u>12/31/12</u>
Mission Cooperative Plan	\$ -	\$ 525,754	\$ (525,754)	\$ -
Mass Offerings (Stipends)	56,979	152,074	(81,330)	127,723
Designated Gifts	65	40,578	(40,643)	-
Society of St. Peter the Apostle	69,982	63,136	(69,982)	63,136
Holy Childhood Association	16,185	19,950	(16,185)	19,950
Totals	<u>\$ 143,211</u>	<u>\$ 801,492</u>	<u>\$ (733,894)</u>	<u>\$ 210,809</u>
<u>2011</u>	<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	<u>719</u>	<u>16,185</u>	<u>(719)</u>	<u>16,185</u>
Totals	<u>\$ 172,780</u>	<u>\$ 665,241</u>	<u>\$ (694,810)</u>	<u>\$ 143,211</u>

THE PROPAGATION OF THE FAITH OF BOSTON, INC.
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2012 AND 2011
(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 for the years ended December 31, 2012 and 2011 totaled \$92,000 and \$81,683, respectively.

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 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.