

Financial Statements and Report of
Independent Certified Public Accountants
Boston Catholic Development Services, Inc.
June 30, 2015 and 2014

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Boston Catholic Development Services, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Boston Catholic Development Services, Inc. (a Massachusetts corporation, not for profit), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets 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 audits 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 auditor's 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 entity'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 entity'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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Boston Catholic Development Services, Inc. as of June 30, 2015 and 2014, 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.


Boston, Massachusetts
April 11, 2016

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Statements of Financial Position

June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 145,645 | \$ 479,068 |
| Prepaid expenses | 24,529 | 14,067 |
| Due from related organizations | 807,894 | 664,709 |
| Property and equipment, net | <u>107,188</u> | <u>158,565</u> |
| Total assets | <u>\$ 1,085,256</u> | <u>\$ 1,316,409</u> |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 282,400 | \$ 243,840 |
| Due to related organization | <u>697,404</u> | <u>967,117</u> |
| Total liabilities | 979,804 | 1,210,957 |
| NET ASSETS: | | |
| Unrestricted | <u>105,452</u> | <u>105,452</u> |
| Total liabilities and net assets | <u>\$ 1,085,256</u> | <u>\$ 1,316,409</u> |

The accompanying notes are an integral part of the financial statements.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Statements of Activities and Changes in Net Assets

For the Fiscal Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| REVENUE: | | |
| Service fees | \$ 4,171,677 | \$ 3,932,065 |
| Interest and other income | <u>171</u> | <u>425</u> |
| Total revenue | <u>4,171,848</u> | <u>3,932,490</u> |
| EXPENSES: | | |
| Salaries, benefits and taxes | 3,049,632 | 2,561,294 |
| Professional services | 513,878 | 833,903 |
| Printing | 166,309 | 117,044 |
| Postage | 160,870 | 158,673 |
| Travel and entertainment | 121,172 | 62,670 |
| RCAB service fees | 65,000 | 65,000 |
| Depreciation | 60,061 | 56,781 |
| Operational supplies and expenses | 17,799 | 20,999 |
| Equipment rental | 7,500 | 45,777 |
| Advertising | 5,760 | 7,432 |
| Other expenses | <u>3,867</u> | <u>2,917</u> |
| Total expenses | <u>4,171,848</u> | <u>3,932,490</u> |
| CHANGE IN UNRESTRICTED NET ASSETS | - | - |
| Net assets at beginning of year | <u>105,452</u> | <u>105,452</u> |
| Net assets at end of year | <u>\$ 105,452</u> | <u>\$ 105,452</u> |

The accompanying notes are an integral part of the financial statements.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Statements of Cash Flows

For the Fiscal Years Ended June 30, 2015 and 2014

| | <u>2015</u> | <u>2014</u> |
|---|-------------------|-------------------|
| OPERATING ACTIVITIES: | | |
| Changes in unrestricted net assets | \$ - | \$ - |
| Adjustments to reconcile changes in unrestricted net assets to net increase (decrease) in cash from operating activities: | | |
| Depreciation | 60,061 | 56,781 |
| Changes in operating assets and liabilities: | | |
| Prepaid expenses | (10,462) | (669) |
| Due from related organizations | (143,185) | (230,024) |
| Accounts payable and accrued expenses | 38,560 | 44,713 |
| Due to related organization | (269,713) | 149,765 |
| Net increase (decrease) in cash from operating activities | (324,739) | 20,566 |
| INVESTING ACTIVITIES: | | |
| Acquisition of property and equipment | (8,684) | (25,558) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (333,423) | (4,992) |
| Cash and cash equivalents at beginning of year | 479,068 | 484,060 |
| Cash and cash equivalents at end of year | <u>\$ 145,645</u> | <u>\$ 479,068</u> |

The accompanying notes are an integral part of the financial statements.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements

June 30, 2015 and 2014

NOTE A - NATURE OF ORGANIZATION

Boston Catholic Development Services, Inc. (“BCDS”) was organized under Massachusetts law on July 6, 2011. The purpose of BCDS is to aid, support and enhance all fundraising and development activities within the Roman Catholic Archdiocese of Boston (the “Archdiocese”). BCDS receives, records and forwards gifts and bequests on behalf of various Catholic organizations within the Archdiocese.

In accordance with the by-laws of the Corporation Sole, the Roman Catholic Archbishop of Boston, acting in his capacity as an individual, serves as both the Chairman and Treasurer of BCDS.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BCDS’s financial statements have been prepared in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Financial Statement Presentation

BCDS classifies net assets and the changes in those net assets based on the existence or absence of donor-imposed restrictions, either explicit or implicit. Accordingly, net assets of BCDS and changes therein are classified and reported as follows:

Unrestricted net assets - Assets and contributions that are not restricted by the donor or for which restrictions have expired.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that permit BCDS to use or expend the donated assets as specified and which are satisfied by either the passage of time or by actions of BCDS. There were no temporarily restricted net assets at June 30, 2015 and 2014.

Cash and Cash Equivalents

BCDS considers investments with original maturities of three months or less at purchase to be cash and cash equivalents.

BCDS maintains its cash balances in a regional bank. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. BCDS has not experienced any losses in such accounts. BCDS believes it is not exposed to any significant credit risk on cash and cash equivalents. Management monitors, on a regular basis, the financial institution, along with its balances, to keep this potential risk to a minimum.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements - Continued

June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**Property and Equipment**

Property and equipment (see Note C) are carried at cost, or if donated, at appraised value at the time of donation. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets, which range from three to five years. Expenditures for maintenance and repairs are expensed as incurred.

Revenue Recognition

BCDS recognizes service fees as services are provided and costs are incurred from. BCDS provides services to six related organizations as described in Note D as of June 30, 2015 and 2014. One organization is billed based on a fixed flat rate. The other organizations are billed based on costs incurred. All other income is recognized when earned.

Expense Classifications

Expenses related directly to a function (program expenses) are distributed solely to that function, while all other expenses (shared services and general and administrative expenses) are allocated based upon management's estimate of the percentage attributable to each function. Expenses consist of the following components for the years ended June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|----------------------------|---------------------------|---------------------------|
| Program | \$2,288,384 | \$2,317,867 |
| Shared services | 1,770,532 | 1,526,275 |
| General and administrative | <u>112,932</u> | <u>88,348</u> |
| | <u>\$4,171,848</u> | <u>\$3,932,490</u> |

Income Taxes

BCDS is included in the United States Conference of Catholic Bishops Group Ruling and in the Official Catholic Directory and is therefore exempt from income tax under Section 501(c)(3) of the Internal Revenue Code (IRC). BCDS applies guidance recognizing the financial statements benefit of a tax position only after determining that the relevant tax authority would more-likely-than-not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority. BCDS's management has reviewed the tax positions for the years ended June 30, 2015 and 2014, and determined that no provision for income tax is required in BCDS's financial statements.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements - Continued

June 30, 2015 and 2014

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

ASC Topic, *Fair Value Measurements*, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This guidance only applies when the fair value measurement of assets and liabilities is required or permitted. BCDS has determined that none of its financial or nonfinancial assets or liabilities is measured at fair value; therefore, the disclosure requirements do not currently apply.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

Subsequent Events

Subsequent events have been evaluated through April 11, 2016, which is the date the financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the financial statements.

NOTE C - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2015 and 2014:

| | <u>2015</u> | <u>2014</u> |
|---------------------------------|------------------|------------------|
| Software | \$271,126 | \$271,126 |
| Furniture and fixtures | <u>74,801</u> | <u>66,117</u> |
| | <u>345,927</u> | <u>337,243</u> |
| Less - accumulated depreciation | <u>238,739</u> | <u>178,678</u> |
| Net property and equipment | <u>\$107,188</u> | <u>\$158,565</u> |

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements - Continued

June 30, 2015 and 2014

NOTE D - RELATED PARTY TRANSACTIONS

Revenue from services provided (service fees) of approximately \$4.2 million and \$3.9 million for the years ended June 30, 2015, and 2014, respectively, was received for development services from various related organizations as follows:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------------|---------------------------|
| Roman Catholic Archdiocese of Boston (RCAB) | \$2,707,606 | \$2,503,423 |
| Fund for Catholic Schools (FCS) | 838,588 | 888,482 |
| Catholic Community Fund (CCF) | 201,883 | 190,039 |
| Clergy Funds (CF) | 200,000 | 160,000 |
| Catholic Charities of Boston (CCAB) | 182,027 | 150,000 |
| Catholic Health Foundation (CHF) | <u>41,573</u> | <u>40,121</u> |
| Total | <u>\$4,171,677</u> | <u>\$3,932,065</u> |

These related organizations owed amounts to BCDS for development services provided as of June 30, 2015 and 2014, as follows:

| | <u>2015</u> | <u>2014</u> |
|-------------------------------------|-------------------------|-------------------------|
| Fund for Catholic Schools (FCS) | \$633,879 | \$406,791 |
| Catholic Charities of Boston (CCAB) | 112,472 | 27,758 |
| Catholic Community Fund (CCF) | 50,854 | 190,039 |
| Catholic Health Foundation (CHF) | <u>10,689</u> | <u>40,121</u> |
| Total | <u>\$807,894</u> | <u>\$664,709</u> |

These amounts are reflected as due from related organizations in the accompanying statements of financial position.

BCDS also paid service fees to the Archdiocese of \$65,000 for the years ended June 30, 2015, and 2014, which are reflected as RCAB service fees in the accompanying statements of activities and changes in net assets.

BCDS owed the Archdiocese \$697,404 and \$967,117 as of June 30, 2015 and 2014, respectively. These amounts are reflected as due to related organization in the accompanying statements of financial position.

BCDS participates with other Catholic organizations in lay employee health, dental, life, and disability benefit plans that are related organizations (see Note E). Expenses incurred by BCDS for the benefit of lay employees under these plans were \$216,656 and \$174,407 for the years ended June 30, 2015 and 2014, respectively, and are included in salaries, benefits and taxes in the accompanying statements of activities and changes in net assets.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements - Continued

June 30, 2015 and 2014

NOTE E - RETIREMENT PLANS

Employee Pension Plan

BCDS is a participant with other related Archdiocesan organizations in a pension plan covering substantially all lay employees, the Roman Catholic Archdiocese of Boston Pension Plan (the "Pension Plan"), that has been characterized for financial accounting purposes as a multiemployer pension plan, a noncontributory benefit plan established by the Corporation Sole. The risks of participating in a multiemployer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating entity stops contributing to the multiemployer plan, the unfunded obligations of the plan may be borne by the remaining participating entities.
- If an entity petitions to stop participating in the multiemployer plan, the entity may be required to pay the plan a withdrawal liability based on the funded status of the plan.

These aspects of multiemployer plan participation are consistent with the manner of administration of the Pension Plan. These aspects are not required by law but are part of the Pension Plan's administrative practices. Neither the financial accounting treatment of the Pension Plan, nor its administrative practices, nor this footnote shall be deemed a representation that the Pension Plan is subject to any laws that require the multiemployer attributes that are set forth above.

The Pension Plan is designed to provide retirement benefits for eligible lay employees of BCDS and participating related Archdiocesan organizations. Effective December 31, 2011, per a vote of the Pension Plan Trustees, the Pension Plan was amended to freeze the accrual of additional benefits. Under the provision of the amendment, employees hired after December 1, 2010, are not eligible to become participants in the Pension Plan. Employees with five or more years of service as of December 31, 2011, remain vested. Employees with at least one year of service as of December 31, 2011, will be allowed to continue to add years of service towards vesting after the freeze date.

The BCDS retirement plan expense is equal to the required annual contributions to the Pension Plan, which are calculated based upon actuarially determined methods. Amounts charged to pension costs for the years ended June 30, 2015 and 2014, totaled \$59,373, per annum, and are included in salaries, benefits and taxes in the accompanying statements of activities and changes in net assets.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements - Continued

June 30, 2015 and 2014

NOTE E - RETIREMENT PLANS (Continued)**Employee Pension Plan** (Continued)

The following table discloses the name and funded status of the Pension Plan as of June 30, 2015 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of June 30, 2015:

| <u>Legal Name and Plan Number</u> | <u>Plan EIN</u> | <u>Actuarial Present Value of Accumulated Plan Benefits</u> | <u>Fair Value of Plan Assets</u> | <u>Total Net Contributions</u> | <u>Funded Status</u> |
|---|-----------------|---|--------------------------------------|------------------------------------|--------------------------|
| Roman Catholic Archdiocese of Boston Pension Plan, Number 001 | 04-2777359 | \$241,641,000 | \$215,992,000 | \$7,800,000 | Greater than 89% |

BCDS reserves the right to discontinue contributions at any time and terminate the Pension Plan. In the event of termination and discontinuance, the assets of the Pension Plan remaining after paying all administrative expenses of the Pension Plan will be allocated in accordance with the terms of the Pension Plan for the purpose of paying benefits provided under the Pension Plan.

The accumulated benefit obligation net of the plan assets of the Pension Plan are not reflected in the accompanying statements of financial position.

Lay Employee 401(k) Plan

On January 1, 2012, the Archdiocese created a 401(k) defined contribution plan (the "Plan"). BCDS participates with other related Archdiocesan organizations in this new plan, which is administered by TIAA-CREF. Eligible employees may elect to make retirement savings contributions to the Plan, which were matched by BCDS up to 2% of employee compensation for the years ended June 30, 2015 and 2014. Employee benefit costs associated with this Plan totaled \$39,974 and \$37,828 for the years ended June 30, 2015 and 2014, respectively, and are included in salaries, benefits and taxes in the accompanying statements of activities and changes in net assets.

NOTE F - RECLASSIFICATION

Certain amounts in the June 30, 2014, financial statements have been reclassified to conform with the June 30, 2015, presentation.