

Financial Statements and Report of
Independent Certified Public Accountants
Boston Catholic Development Services, Inc.
June 30, 2013 and 2012

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, 2013 and 2012, and the related statements of activities and changes in net assets, and cash flows for the year ended June 30, 2013, and the period from July 6, 2011 (inception) through June 30, 2012, 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, 2013 and 2012, and the changes in its net assets and its cash flows for the year ended June 30, 2013, and the period from July 6, 2011 (inception) through June 30, 2012, in accordance with accounting principles generally accepted in the United States of America.

Alexander Aronson Finning & Co. PC

Boston, Massachusetts
February 10, 2014

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.
Statements of Financial Position
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 484,060	\$ 43,769
Prepaid expenses	13,398	59,188
Due from related organizations	434,685	445,158
Property and equipment, net	<u>189,788</u>	<u>248,070</u>
Total assets	<u>\$ 1,121,931</u>	<u>\$ 796,185</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 199,127	\$ 185,454
Due to related organization	<u>817,352</u>	<u>505,279</u>
Total liabilities	1,016,479	690,733
NET ASSETS:		
Unrestricted	<u>105,452</u>	<u>105,452</u>
Total liabilities and net assets	<u>\$ 1,121,931</u>	<u>\$ 796,185</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 Year Ended June 30, 2013 and the Period from July 6, 2011 (Inception) through June 30, 2012

	<u>2013</u>	<u>2012</u>
REVENUE, GAINS AND OTHER SUPPORT:		
Service fees	\$ 3,442,853	\$ 3,192,159
Interest and other income	<u>350</u>	<u>332</u>
Total revenue, gains and other support	<u>3,443,203</u>	<u>3,192,491</u>
EXPENSES:		
Salaries and benefits	2,398,775	2,162,334
Professional services	585,158	614,880
Postage	111,086	83,040
Travel and entertainment	83,509	72,919
Printing	79,670	95,524
RCAB service fees	65,000	53,981
Depreciation	58,282	31,169
Equipment rental	39,055	45,958
Operational supplies	12,585	13,490
Other expenses	10,083	6,627
Minor equipment	<u>-</u>	<u>4,376</u>
Total expenses	<u>3,443,203</u>	<u>3,184,298</u>
CHANGES IN UNRESTRICTED NET ASSETS	-	8,193
Net assets at beginning of period	105,452	-
Net asset transfer	<u>-</u>	<u>97,259</u>
Net assets at end of period	<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 Year Ended June 30, 2013 and Period from July 6, 2011 (Inception) Through June 30, 2012

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES:		
Changes in unrestricted net assets	\$ -	\$ 8,193
Adjustments to reconcile changes in unrestricted net assets to net increase in cash from operating activities:		
Depreciation	58,282	31,169
Changes in operating assets and liabilities:		
Prepaid expenses	45,790	(59,188)
Due from related organizations	10,473	(445,158)
Accounts payable and accrued expenses	13,673	185,454
Due to related organization	<u>312,073</u>	<u>505,279</u>
Net increase in cash from operating activities	440,291	225,749
INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>-</u>	<u>(181,980)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	440,291	43,769
Cash and cash equivalents at beginning of period	<u>43,769</u>	<u>-</u>
Cash and cash equivalents at end of period	<u><u>\$ 484,060</u></u>	<u><u>\$ 43,769</u></u>
SUPPLEMENTAL NON-CASH INVESTING TRANSACTION:		
Net asset transfer	<u><u>\$ -</u></u>	<u><u>\$ 97,259</u></u>
Property and equipment transfer	<u><u>\$ -</u></u>	<u><u>\$ 129,705</u></u>

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

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements

June 30, 2013 and 2012

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 footnotes are to the FASB Accounting Standards Codification.

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, 2013 and 2012.

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, 2013 and 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment

Property and equipment 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. BCDS provides services to three related organizations as described in Note D. One organization is billed based on a fixed flat rate. The other two 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 year ended June 30, 2013, and the period from July 6, 2011 through June 30, 2012:

	<u>2013</u>	<u>2012</u>
Program	\$1,933,551	\$1,614,198
Shared services	1,412,969	1,481,798
General and administrative	<u>96,683</u>	<u>88,302</u>
	<u>\$3,443,203</u>	<u>\$3,184,298</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 statement 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 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. BCDS's management has reviewed the tax positions for the period 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, 2013 and 2012

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

BCDS measures the fair values of assets and liabilities as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy is used to prioritize the inputs to valuation techniques used to measure fair value. BCDS classifies its assets and liabilities into Level 1 (valuations using quoted prices from active markets for identical assets), Level 2 (valuations not traded on an active market for which observable market inputs are readily available), and Level 3 (valuations based on significant unobservable inputs). BCDS values its qualifying assets and liabilities using level 1 inputs.

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 February 10, 2014, 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, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Software	\$271,127	\$271,127
Furniture and fixtures	<u>40,558</u>	<u>40,558</u>
	311,685	311,685
Less - accumulated depreciation	<u>121,897</u>	<u>63,615</u>
Net property and equipment	<u>\$189,788</u>	<u>\$248,070</u>

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements - Continued

June 30, 2013 and 2012

NOTE D - RELATED-PARTY TRANSACTIONS

Revenue from services provided of approximately \$3.4 million and \$3.2 million for the year ended June 30, 2013, and the period from July 6, 2011 through June 30, 2012, respectively, includes revenue received from the Archdiocese of approximately \$2.28 million and \$2.3 million for fiscal years 2013 and 2012, respectively, to support the operations of BCDS, including the Catholic Appeal and Cardinal's Christmas Campaign. Service fees to BCDS are funded based on its cash flow needs.

BCDS also received revenue for development services of \$973,006 and \$745,159 from the Fund for Catholic Schools, Inc. (CCS), and \$144,000 and \$147,000 from the Clergy Funds for the year ended June 30, 2013, and the period from July 6, 2011 through June 30, 2012, respectively, as well as \$38,250 from the Catholic Charities of Boston (CCAB) for the year ended June 30, 2013. These organizations are related to the Archdiocese through common Board control.

BCDS also paid service fees to the Archdiocese of \$65,000 and \$53,981 for the year ended June 30, 2013, and the period from July 6, 2011 through June 30, 2012, respectively.

At June 30, 2013, BCDS owed the Archdiocese \$817,352, and CCS and CCAB owed BCDS \$403,310 and \$31,375, respectively. It is expected that these amounts will be repaid in fiscal year 2014. At June 30, 2012, BCDS owed the Archdiocese \$505,279 and FCS owed BCDS \$445,158.

BCDS participates with other Catholic organizations in lay employee health, dental, life, and disability benefit plans that are related organizations. Expenses incurred by BCDS for the benefit of lay employees under these plans were \$129,930 and \$101,886 for the year ended June 30, 2013, and the period from July 6, 2011 through June 30, 2012, and are included in salaries and benefits in the accompanying statements of activities and changes in net assets.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements - Continued

June 30, 2013 and 2012

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 is calculated based upon actuarially determined methods. Amounts charged to pension costs for the year ended June 30, 2013 and period ended June 30, 2012 totaled \$59,373 and \$47,109, respectively, and are included in the accompanying combined statements of activities.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements - Continued

June 30, 2013 and 2012

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, 2013 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of June 30, 2013:

<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	\$256,195,197	\$213,669,880	\$7,898,569	Greater than 80%

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 Roman Catholic Archdiocese of Boston 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 new 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 period ended June 30, 2013 and 2012. Employee benefit costs associated with this Plan amounted to \$42,405 and \$25,196 for the year ended June 30, 2013 and period ended June 30, 2012, respectively.

NOTE F – NET ASSET TRANSFER

During fiscal period 2012, as part of the creation of BCDS, The Catholic Community Fund of the Archdiocese of Boston, Inc. (the Fund), a related organization of the Archdiocese, and CCS transferred net assets to BCDS. The Fund transferred \$89,147 and CCS transferred \$8,112 to BCDS.