Financial Statements and Report of
Independent Certified Public Accountants

Boston Catholic Development Services, Inc.
June 30, 2012
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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of financial position of Boston Catholic Development Services, Inc. (a Massachusetts corporation, not for profit) as of June 30, 2012, and the related statements of activities and changes in net assets and cash flows for the period from July 6, 2011 (inception) through June 30, 2012. These financial statements are the responsibility of BCDS’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Development Services, Inc. as of June 30, 2012, and the changes in its net assets and its cash flows for the period from July 6, 2011 (inception) through June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

Wellesley, Massachusetts
November 29, 2012
BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.
Statement of Financial Position
June 30, 2012

ASSETS

Cash and cash equivalents $ 43,769
Prepaid expenses 59,188
Due from related organization 445,158
Property and equipment, net 248,070

Total assets $ 796,185

LIABILITIES AND NET ASSETS

LIABILITIES:
Accounts payable and accrued expenses $ 185,454
Due to related organization 505,279

Total liabilities 690,733

NET ASSETS:
Unrestricted 105,452

Total liabilities and net assets $ 796,185

The accompanying notes are an integral part of the financial statements.
BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.
Statement of Activities and Changes in Net Assets
For the Period From July 6, 2011 (Inception) Through June 30, 2012

REVENUE, GAINS AND OTHER SUPPORT:
Service fees $ 3,192,159
Interest income 251
Other income 81

Total revenue, gains and other support 3,192,491

EXPENSES:
Salaries and benefits 2,162,334
Professional services 614,880
Printing 95,524
Postage 83,040
Travel and entertainment 72,919
RCAB service fees 53,981
Equipment rental 45,958
Depreciation 31,169
Operational supplies 13,490
Other expenses 6,627
Minor equipment 4,376

Total expenses 3,184,298

CHANGE IN UNRESTRICTED NET ASSETS 8,193

Net assets at beginning of period -

Net asset transfer 97,259

Net assets at end of period $ 105,452

The accompanying notes are an integral part of the financial statements.
BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.
Statement of Cash Flows
For the Period From July 6, 2011 (Inception) Through June 30, 2012

OPERATING ACTIVITIES:
Change in unrestricted net assets $ 8,193

Adjustments to reconcile change in unrestricted net assets to
net increase in cash from operating activities:
Depreciation 31,169
Changes in operating assets and liabilities:
Prepaid expenses (59,188)
Due from related organization (445,158)
Accounts payable and accrued expenses 185,454
Due to related organization 505,279

Net increase in cash from operating activities 225,749

INVESTING ACTIVITIES:
Acquisition of property and equipment (181,980)

NET INCREASE IN CASH AND CASH EQUIVALENTS 43,769

Cash and cash equivalents at beginning of period -

Cash and cash equivalents at end of period $ 43,769

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

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 Standard 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, 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 at each bank 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.
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 charged to expense, 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 are distributed to that function, while other expenses are allocated based upon management’s estimate of the percentage attributable to each function. Expenses consist of the following components for the period ended June 30, 2012:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Program</td>
<td>$1,614,198</td>
</tr>
<tr>
<td>General and administrative</td>
<td>1,570,100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$3,184,298</strong></td>
</tr>
</tbody>
</table>

Income Taxes

BCDS is included in the United States Catholic Conference 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. 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.
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).

**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 November 29, 2012, 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, 2012:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Property and equipment</td>
<td>$279,239</td>
</tr>
<tr>
<td>Less - accumulated depreciation</td>
<td>(31,169)</td>
</tr>
<tr>
<td><strong>Net property and equipment</strong></td>
<td><strong>$248,070</strong></td>
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**NOTE D - RELATED-PARTY TRANSACTIONS**

Revenue from services provided of approximately $3.2 million for the period ended June 30, 2012, includes revenue received from the Archdiocese in the amount of approximately $2.3 million 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.
NOTE D - RELATED-PARTY TRANSACTIONS (Continued)

BCDS also received revenue for development services of $745,159 from the Fund for Catholic Schools, Inc. (FCS) and $147,000 from the Clergy Funds. Both of these organizations are related to the Archdiocese through common Board control.

At June 30, 2012, BCDS owed the Archdiocese $505,279 and FCS owes BCDS $445,158. It is expected that these amounts will be repaid in fiscal year 2013.

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 $101,886 for the period ended June 30, 2012, and are included in salaries and benefits in the accompanying statement of activities and changes in net assets.

NOTE E – RETIREMENT PLANS

Defined Benefit Plan

BCDS participates with other Archdiocese of Boston Catholic organizations in a noncontributory, defined-benefit multi-employer pension plan, the Roman Catholic Archdiocese of Boston Pension Plan (the Pension Plan), a related organization. BCDS’s employees comprise of less than 1% of all lay employees covered under the Pension Plan. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 (ERISA). For the period ended June 30, 2012, the Pension Plan costs were $47,109 and are included in salaries and benefits in the accompanying statement of activities and changes in net assets.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the Pension Plan and, accordingly, such information is not presented herein. At June 30, 2012, the financial statements of the Pension Plan reflected approximately $207.9 million in net assets available for benefits and approximately $260.7 million in accumulated plan benefits.

Effective December 31, 2011, the Pension Plan Trustees amended and froze the Pension Plan and no additional benefits will accrue as of December 31, 2011. Furthermore, under the provision of the amendment, any employee hired after December 31, 2010, will not be eligible to become a participant in the Pension Plan.
NOTE E – RETIREMENT PLANS (Continued)

Defined Contribution Plan

The Archdiocese established a 401(k) defined contribution plan (the Plan) on January 1, 2012. During the period January to June of fiscal year 2012, as well as the remainder of calendar year 2012, BCDS made a 2% discretionary contribution to all participants enrolled in the Plan. Contributions related to the Plan totaled $25,196 for the period ended June 30, 2012, and are included in salaries and benefits in the accompanying statement of activities and changes in net assets.

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 FCS transferred net assets to BCDS. The Fund transferred $89,147 and FCS transferred $8,112 to BCDS.