

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

**FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

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June 30, 2016 and 2015

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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, 2016 and 2015, 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, 2016 and 2015, 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.

Westborough, Massachusetts
November 16, 2016

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.Statements of Financial Position
June 30, 2016 and 2015

Assets	2016	2015
Cash and Cash Equivalents	\$ 81,155	\$ 145,645
Prepaid Expenses	18,731	24,529
Due from Related Organizations	473,007	807,894
Property and Equipment, net	<u>46,404</u>	<u>107,188</u>
Total assets	<u>\$ 619,297</u>	<u>\$ 1,085,256</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 184,247	\$ 282,400
Due to related organization	<u>329,598</u>	<u>697,404</u>
Total liabilities	513,845	979,804
Net Assets:		
Unrestricted	<u>105,452</u>	<u>105,452</u>
Total liabilities and net assets	<u>\$ 619,297</u>	<u>\$ 1,085,256</u>

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Revenue:		
Service fees	\$ 4,215,441	\$ 4,171,677
Interest and other income	164	171
	<u>4,215,605</u>	<u>4,171,848</u>
Expenses:		
Salaries, benefits and taxes	3,113,045	3,049,632
Professional services	519,211	513,878
Printing	145,305	166,309
Postage	132,452	160,870
RCAB service fees	125,000	65,000
Travel and entertainment	92,369	121,172
Depreciation	60,784	60,061
Operational supplies and expenses	20,043	17,799
Other expenses	6,271	3,867
Equipment rental	1,125	7,500
Advertising	-	5,760
	<u>4,215,605</u>	<u>4,171,848</u>
Changes in unrestricted net assets	-	-
Net Assets:		
Beginning of year	<u>105,452</u>	<u>105,452</u>
End of year	<u>\$ 105,452</u>	<u>\$ 105,452</u>

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Statements of Cash Flows

For the Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Changes in unrestricted net assets	\$ -	\$ -
Adjustments to reconcile changes in unrestricted net assets to net cash used in operating activities:		
Depreciation	60,784	60,061
Changes in operating assets and liabilities:		
Prepaid expenses	5,798	(10,462)
Due from related organizations	334,887	(143,185)
Accounts payable and accrued expenses	(98,153)	38,560
Due to related organization	(367,806)	(269,713)
	<u>(64,490)</u>	<u>(324,739)</u>
Net cash used in operating activities	(64,490)	(324,739)
Cash Flows from Investing Activities:		
Acquisition of property and equipment	-	(8,684)
	<u>-</u>	<u>(8,684)</u>
Net Change in Cash and Cash Equivalents	(64,490)	(333,423)
Cash and Cash Equivalents:		
Beginning of year	145,645	479,068
	<u>145,645</u>	<u>479,068</u>
End of year	<u>\$ 81,155</u>	<u>\$ 145,645</u>

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements
June 30, 2016 and 2015

1. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Net Assets

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, 2016 and 2015.

Cash and Cash Equivalents

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

Property and Equipment

Property and equipment (see Note 3) 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 seven years. Expenditures for maintenance and repairs are expensed as incurred.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

BCDS recognizes service fees as services are provided and costs are incurred. BCDS provides services to six related organizations as described in Note 4 as of June 30, 2016 and 2015. 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 (direct and shared service expenses) are distributed solely to that function, while all other expenses (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, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Program		
Direct services	\$ 2,255,424	\$ 2,288,384
Shared services	<u>1,851,502</u>	<u>1,770,532</u>
Total Program	4,106,926	4,058,916
General and administrative	<u>108,679</u>	<u>112,932</u>
	<u>\$ 4,215,605</u>	<u>\$ 4,171,848</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, 2016 and 2015, and determined that no provision for income tax is required in BCDS's financial statements.

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.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.Notes to Financial Statements
June 30, 2016 and 2015**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Subsequent Events**

Subsequent events have been evaluated through November 16, 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.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Software	\$ 271,126	\$ 271,126
Furniture and fixtures	<u>74,801</u>	<u>74,801</u>
	345,927	345,927
Less - accumulated depreciation	<u>299,523</u>	<u>238,739</u>
Net property and equipment	<u>\$ 46,404</u>	<u>\$ 107,188</u>

4. RELATED PARTY TRANSACTIONS

Revenue from services provided (service fees) of approximately \$4.2 million for the years ended June 30, 2016 and 2015, respectively, was received for development services from various related organizations as follows:

	<u>2016</u>	<u>2015</u>
Roman Catholic Archdiocese of Boston (RCAB)	\$ 2,822,903	\$ 2,707,606
Fund for Catholic Schools (FCS)	738,080	838,588
Catholic Charities of Boston (CCAB)	227,963	182,027
Clergy Funds (CF)	200,000	200,000
Catholic Community Fund (CCF)	186,501	201,883
Catholic Health Foundation (CHF)	<u>39,994</u>	<u>41,573</u>
Total	<u>\$ 4,215,441</u>	<u>\$ 4,171,677</u>

These related organizations owed amounts to BCDS for development services provided as of June 30, 2016 and 2015, as follows:

	<u>2016</u>	<u>2015</u>
Fund for Catholic Schools (FCS)	\$ 271,959	\$ 633,879
Catholic Charities of Boston (CCAB)	143,955	112,472
Catholic Community Fund (CCF)	47,228	50,854
Catholic Health Foundation (CHF)	<u>9,865</u>	<u>10,689</u>
Total	<u>\$ 473,007</u>	<u>\$ 807,894</u>

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

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements
June 30, 2016 and 2015

4. RELATED PARTY TRANSACTIONS (Continued)

BCDS also paid service fees to the Archdiocese of \$125,000 and \$65,000 for the years ended June 30, 2016 and 2015, respectively, which are reflected as RCAB service fees in the accompanying statements of activities and changes in net assets.

BCDS owed the Archdiocese \$329,598 and \$697,404 as of June 30, 2016 and 2015, 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 5). Expenses incurred by BCDS for the benefit of lay employees under these plans were \$234,015 and \$216,656 for the years ended June 30, 2016 and 2015, respectively, and are included in salaries, benefits and taxes in the accompanying statements of activities and changes in net assets.

5. 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.

BOSTON CATHOLIC DEVELOPMENT SERVICES, INC.

Notes to Financial Statements
June 30, 2016 and 2015

5. RETIREMENT PLANS (Continued)

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, 2016 and 2015, totaled \$59,373, per annum, and are included in salaries, benefits and taxes in the accompanying statements of activities and changes in net assets.

The following table discloses the name and funded status of the Pension Plan as of June 30, 2016 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of June 30, 2016:

<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	\$ 237,365,000	\$ 191,880,000	\$ 7,436,000	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 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 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 4% and 2% of employee compensation for the years ended June 30, 2016 and 2015, respectively. Employee benefit costs associated with this Plan totaled \$60,446 and \$39,974 for the years ended June 30, 2016 and 2015, respectively, and are included in salaries, benefits and taxes in the accompanying statements of activities and changes in net assets.

6. CONCENTRATIONS

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.