

**THE PROPAGATION OF THE FAITH  
OF BOSTON, INC.**

**Financial Statements  
for the Years Ended December 31, 2013 and 2012  
and Independent Auditors' Report**

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-12



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, 2013 and 2012, 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, 2013 and 2012, 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 21, 2014

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 820,804	\$ 1,117,951
Total assets	<u>\$ 820,804</u>	<u>\$ 1,117,951</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable	\$ 1,320	\$ 948
Accrued annual distribution liability to National Office	<u>682,470</u>	<u>906,874</u>
Total liabilities	<u>683,790</u>	<u>907,822</u>
<u>NET ASSETS:</u>		
Unrestricted	<u>(809)</u>	<u>(680)</u>
Temporarily restricted:		
Mission Coop	5,503	-
Mass offerings	65,978	127,723
Society of St. Peter the Apostle	66,092	63,136
Holy Childhood Association	-	19,950
Designated gifts	<u>250</u>	<u>-</u>
Total temporarily restricted	<u>137,823</u>	<u>210,809</u>
Total net assets	<u>137,014</u>	<u>210,129</u>
Total liabilities and net assets	<u>\$ 820,804</u>	<u>\$ 1,117,951</u>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.  
STATEMENTS OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily		Unrestricted	Temporarily	
		Restricted	Total		Restricted	Total
<b>SUPPORT AND REVENUE:</b>						
Ordinary donations	\$ 796,914	\$ -	\$ 796,914	\$ 741,592	\$ -	\$ 741,592
Legacies	259,756	-	259,756	617,790	-	617,790
Merchandise sales	160	-	160	1,643	-	1,643
Christmas appeal	24,614	-	24,614	24,425	-	24,425
Lenten appeal	21,005	-	21,005	26,921	-	26,921
Society of St. Peter the Apostle donations	11,005	66,092	77,097	12,972	63,136	76,108
Perpetual and special memberships	6,186	-	6,186	5,606	-	5,606
Holy Childhood Association donations	12,094	17,045	29,139	-	19,950	19,950
Interest income	2,435	-	2,435	4,411	-	4,411
Mission Cooperative Plan donations	-	523,572	523,572	-	525,754	525,754
Mass offerings	-	57,855	57,855	-	152,074	152,074
Designated gifts	-	28,269	28,269	-	40,578	40,578
	<u>1,134,169</u>	<u>692,833</u>	<u>1,827,002</u>	<u>1,435,360</u>	<u>801,492</u>	<u>2,236,852</u>
Net assets released from restrictions:						
Mission Cooperative Plan	518,069	(518,069)	-	525,754	(525,754)	-
Mass offerings	119,600	(119,600)	-	81,330	(81,330)	-
Designated gifts	28,019	(28,019)	-	40,643	(40,643)	-
Society of St. Peter the Apostle	63,136	(63,136)	-	69,982	(69,982)	-
Holy Childhood Association	36,995	(36,995)	-	16,185	(16,185)	-
Total net assets released from restrictions	<u>765,819</u>	<u>(765,819)</u>	<u>-</u>	<u>733,894</u>	<u>(733,894)</u>	<u>-</u>
Total support and revenue	<u>1,899,988</u>	<u>(72,986)</u>	<u>1,827,002</u>	<u>2,169,254</u>	<u>67,598</u>	<u>2,236,852</u>
<b>EXPENSES</b>						
Program services:						
Annual distribution to National Office	643,619	-	643,619	866,835	-	866,835
Restricted mission distributions	765,819	-	765,819	733,894	-	733,894
Other mission distributions	38,851	-	38,851	40,039	-	40,039
Total program expenses	<u>1,448,289</u>	<u>-</u>	<u>1,448,289</u>	<u>1,640,768</u>	<u>-</u>	<u>1,640,768</u>
Supporting services	451,828	-	451,828	525,069	-	525,069
Total expenses	<u>1,900,117</u>	<u>-</u>	<u>1,900,117</u>	<u>2,165,837</u>	<u>-</u>	<u>2,165,837</u>
CHANGE IN NET ASSETS	(129)	(72,986)	(73,115)	3,417	67,598	71,015
NET ASSETS AT BEGINNING OF YEAR	(680)	210,809	210,129	(4,097)	143,211	139,114
NET ASSETS AT END OF YEAR	<u>\$ (809)</u>	<u>\$ 137,823</u>	<u>\$ 137,014</u>	<u>\$ (680)</u>	<u>\$ 210,809</u>	<u>\$ 210,129</u>

See notes to financial statements

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	<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	\$ 643,619		\$ 643,619	\$ 866,835		\$ 866,835
Restricted mission distributions	765,819		765,819	733,894		733,894
Other mission distributions	38,851		38,851	40,039		40,039
Payroll expenses:						
Salaries and wages		269,421	269,421		285,916	285,916
Group insurance		30,042	30,042		35,469	35,469
Retirement plan expense		15,990	15,990		16,230	16,230
Payroll taxes		17,561	17,561		18,399	18,399
Total payroll expenses		333,014	333,014		356,014	356,014
Printing		22,363	22,363		28,599	28,599
Professional fees		19,820	19,820		25,514	25,514
Appeal materials		14,950	14,950		20,420	20,420
Advertising and publicity		13,709	13,709		12,814	12,814
Postage		9,421	9,421		12,240	12,240
Travel and meetings		7,848	7,848		10,963	10,963
Insurance		6,870	6,870		5,584	5,584
Office supplies and expenses		6,513	6,513		17,576	17,576
Bank charges		5,517	5,517		7,013	7,013
Equipment rental		3,480	3,480		2,034	2,034
Mission activity		3,120	3,120		9,006	9,006
Merchandise and expenses		2,879	2,879		4,460	4,460
Telephone		1,338	1,338		2,001	2,001
Mission Sunday expenses		986	986		5,556	5,556
Repairs and maintenance		-	-		5,275	5,275
<b>Total</b>	<b>\$ 1,448,289</b>	<b>\$ 451,828</b>	<b>\$ 1,900,117</b>	<b>\$ 1,640,768</b>	<b>\$ 525,069</b>	<b>\$ 2,165,837</b>

See notes to financial statements.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash contributions - unrestricted	\$ 1,131,734	\$ 1,430,949
Cash contributions - temporarily restricted	692,833	801,492
Cash received for annuities	-	92,000
Interest income	2,435	4,411
Program services	(1,448,289)	(1,640,768)
Cash paid for annuities	-	(92,000)
Supporting services	(451,828)	(525,069)
Increase (decrease) in accounts payable	372	(3,394)
Decrease in accrued annual distribution liability to National Office	<u>(224,404)</u>	<u>(439,010)</u>
Net cash used in operating activities	<u>(297,147)</u>	<u>(371,389)</u>
NET DECREASE IN CASH	(297,147)	(371,389)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>1,117,951</u>	<u>1,489,340</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 820,804</u>	<u>\$ 1,117,951</u>

See notes to financial statements.



THE PROPAGATION OF THE FAITH OF BOSTON, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012

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, 2013 AND 2012  
(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, 2013, the accrued liability totaled \$682,470, which includes \$38,851 specifically earmarked for the Catholic Near East Welfare Association. At December 31, 2012, the accrued liability totaled \$906,874, which included \$40,039 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, 2013 AND 2012  
(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, 2013 and 2012.

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, 2013 and 2012 the Organization has made such evaluation through July 21, 2014, 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, 2013 and 2012.

THE PROPAGATION OF THE FAITH OF BOSTON, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012  
(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 2013 and 2012 was \$11,479 for both years.

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 matching contribution by the Organization. For the years ended December 31, 2013, and 2012, the Organization's expense for this plan amounted to \$4,124 and \$4,751, respectively.

NOTE 4. OTHER RELATED-PARTY TRANSACTIONS

The Organization purchases appeal materials and rosaries from an affiliate, the United States national office of The Society for the Propagation of the Faith. Such purchases amounted to \$1,100 in 2013 and \$923 in 2012. 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 \$6,870 in 2013 and \$5,584 in 2012.

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, 2013 and 2012, cash and cash equivalents consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash in checking accounts	\$ 231,229	\$ 293,854
Cash in money market savings accounts	636,317	835,404
Deposits in transit	27,705	-
Subtotal	<u>895,251</u>	<u>1,129,258</u>
Less outstanding checks	74,447	11,307
Total cash and cash equivalents	<u>\$ 820,804</u>	<u>\$ 1,117,951</u>

THE PROPAGATION OF THE FAITH OF BOSTON, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012  
(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, 2013 and 2012 are as follows:

<u>2013</u>	<u>Balance</u> <u>12/31/12</u>	<u>2013</u> <u>Contributions</u>	<u>2013</u> <u>Distributions</u>	<u>Balance</u> <u>12/31/13</u>
Mission Cooperative Plan	\$ -	\$ 523,572	\$ (518,069)	\$ 5,503
Mass Offerings (Stipends)	127,723	57,855	(119,600)	65,978
Designated Gifts	-	28,269	(28,019)	250
Society of St. Peter the Apostle	63,136	66,092	(63,136)	66,092
Holy Childhood Association	19,950	17,045	(36,995)	-
Totals	<u>\$ 210,809</u>	<u>\$ 692,833</u>	<u>\$ (765,819)</u>	<u>\$ 137,823</u>
<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	<u>16,185</u>	<u>19,950</u>	<u>(16,185)</u>	<u>19,950</u>
Totals	<u>\$ 143,211</u>	<u>\$ 801,492</u>	<u>\$ (733,894)</u>	<u>\$ 210,809</u>

THE PROPAGATION OF THE FAITH OF BOSTON, INC.  
NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2013 AND 2012  
(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 year ended December 31, 2012 was \$92,000. There were no Annuity transactions during 2013.

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.