

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

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JUNE 30, 2012 AND 2011**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Catholic Charitable Bureau of the Archdiocese
of Boston, Inc. and Affiliates:

We have audited the accompanying combined statements of financial position of Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates (Massachusetts corporations, not for profit) (collectively, the Organization) as of June 30, 2012 and 2011, and the related combined statements of activities and changes in net assets and cash flows for the years then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined 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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates as of June 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The consolidating information in combining statement of financial position and combining statement of activities is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combining financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Wellesley, Massachusetts
November 14, 2012

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**COMBINED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011**

| <u>ASSETS</u> | <u>2012</u> | <u>2011</u> |
|--|----------------------|----------------------|
| CASH AND CASH EQUIVALENTS | \$ 259,860 | \$ 598,236 |
| ACCOUNTS RECEIVABLE , net of allowance for doubtful accounts of approximately \$60,000 and \$50,000 at June 30, 2012 and 2011, respectively | 2,776,174 | 2,763,727 |
| PLEDGES RECEIVABLE | 80,000 | 14,333 |
| INVESTMENTS | 9,253,188 | 10,229,001 |
| BENEFICIAL INTERESTS IN PERPETUAL TRUSTS | 4,331,956 | 4,448,324 |
| PROPERTY AND EQUIPMENT , net | 18,488,283 | 18,257,633 |
| OTHER ASSETS | 153,031 | 290,610 |
| Total assets | <u>\$ 35,342,492</u> | <u>\$ 36,601,864</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| LIABILITIES: | | |
| Accounts payable, accrued expenses and other | \$ 3,003,182 | \$ 3,119,086 |
| Due to the Roman Catholic Archdiocese of Boston | 721,799 | 737,977 |
| Notes payable | 804,523 | 887,621 |
| Pension benefits liability | 2,416,000 | 2,931,000 |
| Total liabilities | <u>6,945,504</u> | <u>7,675,684</u> |
| NET ASSETS: | | |
| Unrestricted: | | |
| Operating: | | |
| Working capital | 2,965,207 | 3,572,154 |
| Pension plan | (2,416,000) | (2,931,000) |
| Total operating | 549,207 | 641,154 |
| Property and equipment Board designated | 18,459,123 | 18,263,095 |
| Total unrestricted | <u>19,831,583</u> | <u>20,391,393</u> |
| Temporarily restricted | 2,472,576 | 2,625,590 |
| Permanently restricted | 6,092,829 | 5,909,197 |
| Total net assets | <u>28,396,988</u> | <u>28,926,180</u> |
| Total liabilities and net assets | <u>\$ 35,342,492</u> | <u>\$ 36,601,864</u> |

The accompanying notes are an integral part of these combined statements.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>TOTAL</u> |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|
| OPERATING SUPPORT, REVENUE AND GAINS: | | | | |
| Contributions and fundraising: | | | | |
| Contributions and fundraising | \$ 6,536,330 | \$ 2,110,758 | \$ 300,000 | \$ 8,947,088 |
| Contributions from United Way organizations | 1,442,067 | - | - | 1,442,067 |
| Contributions from the Roman Catholic Archdiocese of Boston (including in-kind contributions of \$343,107) | <u>820,231</u> | <u>-</u> | <u>-</u> | <u>820,231</u> |
| Total contributions and fundraising | <u>8,798,628</u> | <u>2,110,758</u> | <u>300,000</u> | <u>11,209,386</u> |
| Program service fees, grants and contract revenue: | | | | |
| Individuals | 3,515,862 | - | - | 3,515,862 |
| Medicaid and Medicare | 729,124 | - | - | 729,124 |
| Commercial insurance fees | 500,739 | - | - | 500,739 |
| Other | 15,893 | - | - | 15,893 |
| Contract revenue from governmental and other agencies | 18,858,147 | - | - | 18,858,147 |
| Grants | <u>1,901,306</u> | <u>1,683</u> | <u>-</u> | <u>1,902,989</u> |
| Total program service fees, grants and contract revenue | <u>25,521,071</u> | <u>1,683</u> | <u>-</u> | <u>25,522,754</u> |
| Investment earnings used for operations under the spending policy | 317,940 | - | - | 317,940 |
| Miscellaneous revenue | 22,970 | - | - | 22,970 |
| Net assets released from restrictions used for operations | <u>2,249,561</u> | <u>(2,249,561)</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>2,590,471</u> | <u>(2,249,561)</u> | <u>-</u> | <u>340,910</u> |
| Total operating support, revenue and gains | <u>36,910,170</u> | <u>(137,120)</u> | <u>300,000</u> | <u>37,073,050</u> |
| OPERATING EXPENSES: | | | | |
| Program services: | | | | |
| Community social services | 16,571,029 | - | - | 16,571,029 |
| Day care services | 13,441,647 | - | - | 13,441,647 |
| Behavioral health and addiction treatment services | <u>1,414,175</u> | <u>-</u> | <u>-</u> | <u>1,414,175</u> |
| Total program services | <u>31,426,851</u> | <u>-</u> | <u>-</u> | <u>31,426,851</u> |
| Support services: | | | | |
| Management and general | 3,962,011 | - | - | 3,962,011 |
| Fundraising | <u>1,498,616</u> | <u>-</u> | <u>-</u> | <u>1,498,616</u> |
| Total support services | <u>5,460,627</u> | <u>-</u> | <u>-</u> | <u>5,460,627</u> |
| Total operating expenses | <u>36,887,478</u> | <u>-</u> | <u>-</u> | <u>36,887,478</u> |
| Changes in net assets from operations | 22,692 | (137,120) | 300,000 | 185,572 |
| OTHER CHANGES IN NET ASSETS: | | | | |
| Pension related changes other than net periodic pension cost | 265,000 | - | - | 265,000 |
| Investment earnings | 166,897 | (15,894) | - | 151,003 |
| Net loss on sale and disposal of property and equipment | (5,303) | - | - | (5,303) |
| Change in fair value of beneficial interests in perpetual trusts | - | - | (116,368) | (116,368) |
| Investment earnings used for operations under the spending policy | <u>(317,940)</u> | <u>-</u> | <u>-</u> | <u>(317,940)</u> |
| Changes in net assets before loss from discontinued operations | 131,346 | (153,014) | 183,632 | 161,964 |
| LOSS FROM DISCONTINUED OPERATIONS | <u>(691,156)</u> | <u>-</u> | <u>-</u> | <u>(691,156)</u> |
| Changes in net assets | (559,810) | (153,014) | 183,632 | (529,192) |
| NET ASSETS, beginning of year | <u>20,391,393</u> | <u>2,625,590</u> | <u>5,909,197</u> | <u>28,926,180</u> |
| NET ASSETS, end of year | <u>\$ 19,831,583</u> | <u>\$ 2,472,576</u> | <u>\$ 6,092,829</u> | <u>\$ 28,396,988</u> |

The accompanying notes are an integral part of these combined statements.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011**

| | <u>UNRESTRICTED</u> | <u>TEMPORARILY RESTRICTED</u> | <u>PERMANENTLY RESTRICTED</u> | <u>TOTAL</u> |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|
| OPERATING SUPPORT, REVENUE AND GAINS: | | | | |
| Contributions and fundraising: | | | | |
| Contributions and fundraising | \$ 6,481,295 | \$ 2,118,238 | \$ 29,873 | \$ 8,629,406 |
| Contributions from United Way organizations | 1,627,313 | - | - | 1,627,313 |
| Contributions from the Roman Catholic Archdiocese of Boston (including in-kind contributions of \$391,399) | <u>424,351</u> | <u>-</u> | <u>-</u> | <u>424,351</u> |
| Total contributions and fundraising | <u>8,532,959</u> | <u>2,118,238</u> | <u>29,873</u> | <u>10,681,070</u> |
| Program service fees, grants and contract revenue: | | | | |
| Individuals | 3,224,919 | - | - | 3,224,919 |
| Medicaid and Medicare | 697,577 | - | - | 697,577 |
| Commercial insurance fees | 495,749 | - | - | 495,749 |
| Other | 24,722 | - | - | 24,722 |
| Contract revenue from governmental and other agencies | 19,157,145 | - | - | 19,157,145 |
| Grants | <u>1,501,157</u> | <u>16,323</u> | <u>-</u> | <u>1,517,480</u> |
| Total program service fees, grants and contract revenue | <u>25,101,269</u> | <u>16,323</u> | <u>-</u> | <u>25,117,592</u> |
| Investment earnings used for operations under the spending policy | 353,400 | - | - | 353,400 |
| Miscellaneous revenue | 14,074 | - | - | 14,074 |
| Net assets released from restrictions used for operations | <u>2,013,594</u> | <u>(2,013,594)</u> | <u>-</u> | <u>-</u> |
| Subtotal | <u>2,381,068</u> | <u>(2,013,594)</u> | <u>-</u> | <u>367,474</u> |
| Total operating support, revenue and gains | <u>36,015,296</u> | <u>120,967</u> | <u>29,873</u> | <u>36,166,136</u> |
| OPERATING EXPENSES: | | | | |
| Program services: | | | | |
| Community social services | 15,880,979 | - | - | 15,880,979 |
| Day care services | 13,353,389 | - | - | 13,353,389 |
| Behavioral health and addiction treatment services | <u>1,367,123</u> | <u>-</u> | <u>-</u> | <u>1,367,123</u> |
| Total program services | <u>30,601,491</u> | <u>-</u> | <u>-</u> | <u>30,601,491</u> |
| Support services: | | | | |
| Management and general | 4,007,221 | - | - | 4,007,221 |
| Fundraising | <u>1,440,514</u> | <u>-</u> | <u>-</u> | <u>1,440,514</u> |
| Total support services | <u>5,447,735</u> | <u>-</u> | <u>-</u> | <u>5,447,735</u> |
| Total operating expenses | <u>36,049,226</u> | <u>-</u> | <u>-</u> | <u>36,049,226</u> |
| Changes in net assets from operations | (33,930) | 120,967 | 29,873 | 116,910 |
| OTHER CHANGES IN NET ASSETS: | | | | |
| Pension related changes other than net periodic pension cost | 2,333,446 | - | - | 2,333,446 |
| Investment earnings | 1,552,373 | 127,743 | - | 1,680,116 |
| Net gain on sale and disposal of property and equipment | 151,752 | - | - | 151,752 |
| Change in fair value of beneficial interests in perpetual trusts | - | - | 654,402 | 654,402 |
| Forgiveness of debt | 437,275 | - | - | 437,275 |
| Contributions for long-term purposes - capital | 38,000 | - | - | 38,000 |
| Carrying costs for non-operating property held for sale | (4,443) | - | - | (4,443) |
| Investment earnings used for operations under the spending policy | <u>(353,400)</u> | <u>-</u> | <u>-</u> | <u>(353,400)</u> |
| Changes in net assets before loss from discontinued operations | <u>4,121,073</u> | <u>248,710</u> | <u>684,275</u> | <u>5,054,058</u> |
| LOSS FROM DISCONTINUED OPERATIONS | <u>(721,781)</u> | <u>-</u> | <u>-</u> | <u>(721,781)</u> |
| Changes in net assets | 3,399,292 | 248,710 | 684,275 | 4,332,277 |
| NET ASSETS, beginning of year | <u>16,992,101</u> | <u>2,376,880</u> | <u>5,224,922</u> | <u>24,593,903</u> |
| NET ASSETS, end of year | <u>\$ 20,391,393</u> | <u>\$ 2,625,590</u> | <u>\$ 5,909,197</u> | <u>\$ 28,926,180</u> |

The accompanying notes are an integral part of these combined statements.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011**

| | <u>2012</u> | <u>2011</u> |
|--|---------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ (529,192) | \$ 4,332,277 |
| Adjustments to reconcile changes in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 1,083,447 | 1,244,402 |
| Bad debt | (212,228) | (183,081) |
| Contributions for long-term purposes - capital | - | (38,000) |
| Net change in fair value of beneficial interests in perpetual trusts | 116,368 | (654,402) |
| Net realized and unrealized (gains) losses on investments | 152,901 | (1,394,220) |
| Net (gain) loss on sale and disposal of property and equipment | 5,303 | (151,752) |
| Net change in pension benefits liability | (515,000) | (3,112,000) |
| Forgiveness of debt and accrued interest | - | (437,275) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 199,781 | 729,037 |
| Pledges receivable | (65,667) | 32,334 |
| Other assets | 137,579 | (44,697) |
| Accounts payable, accrued expenses and other | (115,904) | (143,376) |
| Due to Roman Catholic Archdiocese of Boston | (16,178) | (159,649) |
| Net cash provided by operating activities | <u>241,210</u> | <u>19,598</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | (2,266,106) | (878,406) |
| Sales of investments | 3,089,018 | 1,489,093 |
| Proceeds from sale of property and equipment | 21,559 | 6,675 |
| Purchase of property and equipment | (1,340,959) | (152,749) |
| Proceeds from sale of property held for sale | - | 309,232 |
| Net cash provided by (used in) investing activities | <u>(496,488)</u> | <u>773,845</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from notes payable | 19,800 | 10,379 |
| Principal payments on notes payable | (102,898) | (590,983) |
| Proceeds from contributions for long-term purposes - capital | - | 38,000 |
| Principal payments on capital lease obligations | - | (126,654) |
| Net cash used in financing activities | <u>(83,098)</u> | <u>(669,258)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (338,376) | 124,185 |
| CASH AND CASH EQUIVALENTS, beginning of year | <u>598,236</u> | <u>474,051</u> |
| CASH AND CASH EQUIVALENTS, end of year | <u>\$ 259,860</u> | <u>\$ 598,236</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH AND NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Cash paid for interest | <u>\$ 86,292</u> | <u>\$ 58,933</u> |
| Cost basis of property and equipment sold and disposed | <u>\$ 3,978,999</u> | <u>\$ 337,066</u> |

The accompanying notes are an integral part of these combined statements.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations - The Catholic Charitable Bureau of the Archdiocese of Boston, Inc. and Affiliates (collectively, the "Organization") is an affiliate of Catholic Social Services, Inc. ("CSS"), its sole corporate member. CSS is a not-for-profit corporation under the auspices of the Roman Catholic Archdiocese of Boston ("RCAB"). The following is a summary of entities which are included in the Organization's combined financial statements:

Catholic Charitable Bureau of the Archdiocese of Boston, Inc. ("the Agency"), a Massachusetts not-for-profit corporation under the auspices of the RCAB, provides emergency response and professional health, welfare, education, and social services to families, children, individuals, and older adults.

West Broadway Community Development Corporation, Inc. ("WBCDC"), is a not-for-profit corporation that was organized during fiscal year 2001 for the purpose of owning real estate for the Organization's Shaughnessy Family Center at Laboure. WBCDC commenced operations in October, 2002.

Columbia Road Community Development Corporation, Inc. ("CRCDC"), is a not-for-profit corporation that was organized during fiscal year 2005 for the purpose of owning real estate for the Organization's Yawkey Center. CRCDC commenced operations in July, 2004.

The Organization has historically relied on financial support from donors and related parties (see Note 9). The accompanying combined financial statements have been prepared assuming such support will continue in the future.

Income Taxes - The Agency is listed within *The Official Catholic Directory*. As such, the Agency derives its Internal Revenue Code (IRC) Section 501(c)(3) tax-exempt status from the group tax-exemption of the Roman Catholic Church. WBCDC and CRCDC have previously been determined by the Internal Revenue Service (IRS) to be organizations described in IRC Section 501(c)(2) and, therefore, are exempt from taxation under IRC Section 501(a). WBCDC and CRCDC are not private foundations due to their recognition by the IRS as organizations described in IRC Section 501(c)(2). Any income not substantially related to the Organization's exempt purposes may be considered unrelated business income ("UBI") under IRC Section 511 and, as such, subject to tax at normal corporate rates. There was no UBI for the years ended June 30, 2012 and 2011.

Basis of Presentation - The Organization prepares its combined financial statements 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.

The combined statements of activities and changes in net assets present operating revenues and expenses from program activities as changes in net assets from operations. Capital contributions for property and equipment, all investment returns in excess of the investment income related to the spending policy, and amounts recorded in connection with the defined benefit pension plan (see Note 6) are included as other changes in net assets on the accompanying combined statements of activities and changes in net assets.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Principles of Combination - The combined financial statements include the accounts of the Agency and its controlled affiliates. Significant intercompany accounts and transactions among the combined organizations have been eliminated in preparing the combined financial statements. The assets of any member of the combined group may not be available to meet the obligations of the other members in the group.

Use of Estimates - The preparation of combined 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 disclosure of contingent assets and liabilities at the date of the combined financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Unrestricted Net Assets - Unrestricted net assets are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its unrestricted net assets into the following categories:

Operating - working capital net assets - represent funds available to carry on the operations of the Organization which bear no external restrictions.

Operating - pension plan net assets - represent pension plan activity in accordance with *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (see Note 6).

Property and equipment net assets - reflect and account for the activities relating to the Organization's property and equipment, net of related debt.

Board designated net assets - represent amounts set aside by the Board of Trustees that may only be used with the approval of the Board of Trustees. Board designated net assets are restricted for future capital expenditures.

Temporarily and Permanently Restricted Net Assets - Temporarily restricted net assets are those net assets whose use by the Organization have been limited by donors for a specific period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity (see Note 11).

Donor-Restricted Gifts - Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional promises to give and indications of intentions to give are reported at fair value at the date of the gift, if received, or when the conditional promise becomes unconditional. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the year of receipt are reported as unrestricted contributions in the accompanying combined statements of activities and changes in net assets.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Fair Value - The Organization follows the *Fair Value Measurements and Disclosure* standards. These standards define fair value, establish a framework for measuring fair value under U.S. GAAP, and mandate disclosures about fair value measurements. These standards establish a fair value framework that prioritizes the inputs and assumptions used to measure fair value. The three levels of the fair value framework are as follows:

- Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 – Inputs other than quoted prices in active markets that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 – Inputs that are unobservable.

A qualifying asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

The Organization values all its qualifying assets and liabilities using Level 1 inputs, except for its beneficial interests in perpetual trusts which use Level 1 and 3 inputs (see page 9), and the pension benefit obligation which uses Levels 1, 2, and 3 inputs (see Note 6).

Cash and Cash Equivalents - The Organization considers all highly liquid securities purchased with initial maturities of three months or less, other than investments limited as to use, to be cash and cash equivalents.

Pledges Receivable - Unconditional promises to give that are expected to be collected within one year are recorded at fair value at the date the promise is received and included in pledges receivable. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. At June 30, 2012 and 2011, there has been no discount on these unconditional promises to give as it would be immaterial to the combined financial statements as a whole. Conditional promises to give and indications of intentions to give are reported at fair value at the date the gift is received.

Investments - Investments in securities are valued using Level 1 inputs. The Organization has approved a formal spending policy in which up to 5% of the average investment portfolio's market value using a rolling quarterly average for the preceding three years is applied to operations.

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Investments – (Continued)

Investment income from unrestricted net assets and unrestricted investment income of permanently restricted net assets (beneficial interests in perpetual trusts) are reported as unrestricted revenue. Restricted investment income and gains (losses) on investments of permanently restricted net assets are reported as increases (decreases) in temporarily restricted net assets, unless permanently donor-restricted (beneficial interests in perpetual trusts), in which case they are recorded as increases (decreases) in permanently restricted net assets. Net gains on permanently restricted net assets are classified as temporarily restricted net assets until appropriated under the spending policy by the Board of Trustees and expended. Investment interest and gains (losses) on investments of temporarily restricted net assets are reported as increases (decreases) in temporarily restricted net assets. Investment earnings used for operations in accordance with the spending policy are reflected as operating income and as a decrease in other changes in net assets.

Beneficial Interests in Perpetual Trusts - The Organization is a beneficiary of certain trusts that have been established by donors with funds contributed to be held in perpetuity. Under provisions of the trusts, the Organization receives, annually, income on the trusts' assets, as stipulated by the donor, that can be utilized in any way that is consistent with the Organization's mission. Distributions are recorded as unrestricted investment income in the combined statements of activities and changes in net assets. Changes in market value, as determined using Level 1 (fair value of trust assets) and Level 3 (the Organization's beneficiary percentage) inputs (see page 8) are recorded as increases or decreases to permanently restricted net assets in the accompanying combined statements of activities and changes in net assets.

Property and Equipment - Property and equipment are stated at cost. Maintenance, repairs and minor renewals are expensed as incurred, and major renewals and renovations are capitalized. When an asset is retired or disposed of, the related cost and accumulated depreciation or amortization are removed from the accounts and any gain or loss on the disposition is reflected in other changes in net assets on the accompanying combined statements of activities and changes in net assets.

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value, less the anticipated cost to sell.

Depreciation and Amortization - Depreciation and amortization are calculated by use of the straight-line method. Buildings and equipment are depreciated over the useful lives of the assets; leasehold improvements and leased property under capital leases are amortized over the terms of the leases or the useful lives of the assets, if shorter. Estimated useful lives are as follows:

| | |
|-----------|---------------|
| Buildings | 20 - 40 years |
| Equipment | 3 - 10 years |

Expense Allocation - Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Materials and Services - Donated materials and services are reflected as contributions and fundraising revenue and as assets or expenses at the date of receipt in amounts equal to their estimated fair values. Contributions and expenses in the amounts of \$343,107 and \$391,399 for the years ended June 30, 2012 and 2011, respectively, have been recorded for the use of office or other building space donated by RCAB. These amounts are based on the fair rental value of similar space in the respective areas. In addition, other donated materials and services totaling \$1,591,301 and \$1,240,513 for the years ended June 30, 2012 and 2011, respectively, were received from individuals and organizations and are included in contributions and fundraising in the accompanying combined statements of activities and changes in net assets.

Legacies and Bequests - The Organization is occasionally named as the beneficiary under various wills and trust agreements, the total realizable amounts of which are not presently determinable. Such bequests are recorded when there is an irrevocable right to the bequest and the proceeds are determinable. These amounts are included in contributions and fundraising in the accompanying combined statements of activities and changes in net assets.

Total bequests received or committed were as follows for the years ended June 30:

| | <u>Unrestricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|-------------|---------------------|-----------------------------------|--------------------|
| 2012 | <u>\$1,522,113</u> | <u>\$300,000</u> | <u>\$1,822,113</u> |
| 2011 | <u>\$1,737,156</u> | <u>\$ 29,873</u> | <u>\$1,767,029</u> |

Contract Revenue - The Organization derives a significant amount of its unrestricted support and revenue (approximately 48% and 52% for the years ended June 30, 2012 and 2011, respectively) from contracts negotiated with various agencies of the Commonwealth of Massachusetts (the "Commonwealth") and other governmental agencies. Therefore, the Organization is subject to the regulations and rate formulas of the Massachusetts Division of Purchased Services and other state agencies. These contracts are generally renewable on an annual basis, and there is no assurance that such contracts will be renewed in the future. Contract revenue is recognized in the period the contracted services are provided.

Program Service Fees - The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. Payment arrangements include prospectively determined rates and per-unit payments. Fee-for-service revenue is reported at the estimated net realizable amounts from individuals, third-party payors, and others for services rendered. Certain elements of third-party reimbursements are subject to negotiation and/or final determination by third-party payors. Variances between preliminary estimates of net revenue and final third-party payment determinations are included in the combined statements of activities and changes in net assets in the year in which the change in estimate occurs. The Organization also provides care to individuals who meet certain income criteria at amounts less than its established rates. The amount of charges foregone for these services is reported as a reduction of revenue. Program service fee revenue is recognized on the accrual basis as the services are performed.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Subsequent Events - Subsequent events have been evaluated through November 14, 2012, which is the date the combined financial statements were available to be issued.

Advertising Costs - The Organization expenses advertising costs as incurred. Total advertising costs were \$14,115 and \$14,705 for the years ended June 30, 2012 and 2011, respectively.

Accounts Receivable and Allowance for Doubtful Accounts - Accounts receivable are recorded at the invoiced amount, do not bear interest and are due on demand. The allowance for doubtful accounts is based on management's best estimate of the amount of probable losses in accounts receivable. The allowance is based on specific identification of probable losses and an estimate of additional losses based on historical write-off experience. Management reviews the allowance for doubtful accounts monthly. Past due balances over 120 days and over a specified amount are reviewed individually for collectibility. Account balances are charged off against the allowance when it is probable the receivable will not be recovered.

Uncertainty in Income Taxes - The Organization follows the standards for *Accounting for Uncertainty in Income Taxes*, which requires the Organization to report any uncertain tax positions and to adjust its combined financial statements for the impact thereof. As of June 30, 2012, the Organization determined that they had no material unrecognized tax benefits to report. The Organization files information returns in the United States (Federal) and Massachusetts (state) jurisdictions. These returns are generally subject to examination by tax authorities for the last three years.

(2) **INVESTMENTS**

Investments, at fair value, consisted of the following at June 30:

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|--------------------|---------------------|
| Mutual funds - equity investments | \$4,656,594 | \$6,029,382 |
| Mutual funds - fixed income | 4,529,794 | 4,112,948 |
| Common stock | 48,407 | 48,407 |
| Money market funds | <u>18,393</u> | <u>38,264</u> |
| | <u>\$9,253,188</u> | <u>\$10,229,001</u> |

Investment earnings were composed of the following for the years ended June 30:

| | <u>2012</u> | <u>2011</u> |
|--|-------------------|--------------------|
| Net realized gains | \$ 413,706 | \$ 6,783 |
| Interest and dividend income | 303,904 | 285,896 |
| Unrealized gains (losses) on investments | <u>(566,607)</u> | <u>1,387,437</u> |
| | <u>\$ 151,003</u> | <u>\$1,680,116</u> |

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(2) **INVESTMENTS** (Continued)

Investment fees totaling \$15,824 and \$16,588 for the years ended June 30, 2012 and 2011, respectively, are netted with investment earnings on the accompanying combined statements of activities and changes in net assets.

A portion of the Organization's investments are collateral for a note payable and line of credit (see Note 5).

(3) **PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at June 30:

| | <u>2012</u> | <u>2011</u> |
|---------------------------------|-----------------------------|-----------------------------|
| Land | \$ 325,961 | \$ 336,932 |
| Buildings | 22,550,000 | 21,357,727 |
| Equipment | 5,066,356 | 7,842,299 |
| Leasehold improvements | <u>1,255,978</u> | <u>2,929,570</u> |
| | 29,198,295 | 32,466,528 |
| Construction in process | 636,397 | 6,204 |
| Less - accumulated depreciation | <u>(11,346,409)</u> | <u>(14,215,099)</u> |
| | <u>\$ 18,488,283</u> | <u>\$ 18,257,633</u> |

Depreciation and amortization expenses totaling \$1,083,447 and \$1,244,402 are included in operating expenses for the years ended June 30, 2012 and 2011, respectively.

(4) **PLEDGES RECEIVABLE**

Pledges receivable include donor contributions that are not expected to be collected within one year. These amounts are reported at their present value, net of an allowance for uncollectible amounts when deemed necessary (there were no allowances at June 30, 2012 and 2011).

Pledges receivable were as follows at June 30:

| | <u>2012</u> | <u>2011</u> |
|---------------------------|------------------------|------------------------|
| Due in less than one year | \$20,000 | \$14,333 |
| Due in one to three years | <u>60,000</u> | <u>-</u> |
| | <u>\$80,000</u> | <u>\$14,333</u> |

There was no present value discount applied to the balance not expected to be collected within one year as of June 30, 2012, as it was deemed immaterial to the combined financial statements.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(5) NOTES PAYABLE

Notes payable are summarized as follows at June 30:

| | <u>Interest Rate</u> | <u>2012</u> | <u>2011</u> |
|--|----------------------|------------------|------------------|
| Payable monthly through December, 2012, with balance due at end of term | 4.93% | \$687,899 | \$752,903 |
| Other notes payable | 0% - 7.5% | <u>116,624</u> | <u>134,718</u> |
| Total notes payable | | <u>\$804,523</u> | <u>\$887,621</u> |

During fiscal years 2012 and 2011, the Organization had available a commercial line-of-credit agreement that provides for borrowings up to \$2,500,000 and is renewable annually on December 31st. There was no outstanding balance at either June 30, 2012 or 2011. Collateral for the line includes pledged accounts receivable and marketable securities maintained in a separate account. The interest rate on the line-of-credit was prime (3.25% as of June 30, 2012 and 2011), or the 90-day London Interbank Offered Rate (LIBOR) (.46% and .25% as of June 30, 2012 and 2011, respectively), plus 170 basis points, at the Organization's election. The line-of-credit agreement places limitations on additional indebtedness, disposal of assets, and mergers, and specifies that certain financial covenants must be maintained. The Organization was in compliance with the financial and non-financial covenants as of June 30, 2012 and 2011.

In December, 2007, the Organization acquired a building located in Roxbury, Massachusetts, for \$1,300,000. The Organization borrowed \$975,000 from a bank to finance the majority of the acquisition of this building, of which \$687,899 and \$752,903 was outstanding at June 30, 2012 and 2011, respectively, and received donations to fund the balance of the purchase price. The financing was obtained at a five-year fixed Cost of Funds rate (4.93%) and is collateralized by marketable securities maintained in a separate account. At the end of the five-year term, December, 2012, the balance must be paid or refinanced. The Organization must meet certain financial and non-financial covenants as specified in the agreement. The Organization was in compliance with these covenants at June 30, 2012 and 2011.

As of June 30, 2011, RCAB forgave two loans and related accrued interest totaling \$437,275 due from the Organization. This amount is included in other changes in net assets in the accompanying combined statements of activities and changes in net assets for the year ended June 30, 2011.

The following is a schedule at June 30, 2012, by year, of future principal payments under notes payable:

| <u>Year Ending June 30,</u> | |
|---------------------------------|------------------|
| 2013 | \$707,543 |
| 2014 | 17,579 |
| 2015 | 5,855 |
| 2016 | - |
| 2017 | - |
| Thereafter | <u>73,546</u> |
| | <u>\$804,523</u> |

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
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**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(5) **NOTES PAYABLE** (Continued)

Interest expense was \$86,292 and \$58,933 for the years ended June 30, 2012 and 2011, respectively.

(6) **RETIREMENT BENEFITS**

Defined Benefit Plan

Prior to January 1, 2006, the Organization provided retirement benefits for substantially all employees through participation in a non-contributory, defined benefit pension plan administered by the Trustees of the Roman Catholic Archdiocese of Boston Pension Trust (the "RCAB Plan"). Effective December 31, 2005, the Organization froze its benefits and participation in the RCAB Plan.

Based on an actuarial valuation of the present value of accumulated plan benefits at December 31, 2005 (the date of the freeze), the Organization's portion of the RCAB Plan's estimated funding deficit was determined to be approximately \$2,477,000. At June 30, 2006, the Organization recorded a liability for its portion of the funding deficit. During fiscal year 2007, the Organization paid \$1,291,500 into the RCAB Plan in accordance with the agreement to freeze the RCAB Plan (the freeze agreement) executed with the Trustees of the RCAB Plan. The Trustees of the Plan provide an actuarial valuation of the present value of the accumulated plan benefits as of the end of each Plan year. The valuations indicate cumulative estimated funding deficits of \$2,416,000 and \$2,931,000, as of June 30, 2012 and 2011, respectively, and the Organization has recorded a liability for those amounts. The Organization renegotiated the freeze agreement during fiscal year 2012 with the Trustees of the RCAB Plan and began making payments into the Plan in accordance with terms of the new agreement. The annual payments are intended to extinguish the unfunded liability of the Plan no later than the final payment due September 1, 2025. Payments amounts are fixed per the agreement but are subject to change as of June 30, 2015 and June 30, 2020. As of those dates, the plan's actuary will provide an updated unfunded liability and re-amortize the remaining required payments through September 1, 2025. If the unfunded liability should ever become zero or reflect a surplus, then the Organization's required payments to the Plan would be suspended. During fiscal year 2012, the Organization also offered a one-time lump sum distribution to certain vested participants as defined in the agreement. Amounts paid to those who opted to accept the lump sum are included in benefits paid (see page 15).

Plan assets are invested in a diverse portfolio of professionally managed funds, including equity, fixed income, and other investments, which are selected by investment advisors appointed by the Trustees of the RCAB Plan.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(6) RETIREMENT BENEFITS (Continued)

Defined Benefit Plan (Continued)

Obligations, funded status and other information are as follows at June 30:

| | <u>2012</u> | <u>2011</u> |
|------------------------------|-----------------------|-----------------------|
| Funded Status: | | |
| Fair value of plan assets | \$ 17,345,000 | \$ 22,651,000 |
| Projected benefit obligation | <u>(19,761,000)</u> | <u>(25,582,000)</u> |
| | <u>\$ (2,416,000)</u> | <u>\$ (2,931,000)</u> |
| Other Disclosures: | | |
| Employer contributions | <u>\$ 250,000</u> | <u>\$ 790,000</u> |
| Other contributions – RCAB | <u>\$ 614,000</u> | <u>\$ -</u> |
| Benefits paid | <u>\$ 5,650,000</u> | <u>\$ 1,227,000</u> |

The following assumptions were used to determine benefit obligations for the years ended June 30, 2012 and 2011:

| | |
|--------------------------------|------|
| Weighted average discount rate | 6.5% |
| Expected return on plan assets | 6.5% |

Future Plan Benefit Payments

Benefits and employer contributions expected to be paid in the future are as follows:

| | <u>Benefits</u> | <u>Employer Contributions</u> |
|-------------|-----------------|-----------------------------------|
| 2013 | \$1,377,000 | \$ 250,000 |
| 2014 | \$1,431,000 | \$ 245,000 |
| 2015 | \$1,452,000 | \$ 245,000 |
| 2016 | \$1,460,000 | \$ 240,000 |
| 2017 | \$1,471,000 | \$ 240,000 |
| 2018 – 2022 | \$7,348,000 | \$1,155,000 |

The fair value of the RCAB Plan is measured using Level 1 (market values of publicly traded investments), Level 2 (discount rates, and other factors) and Level 3 (actuarial assumptions, mortality expectancy, and projected investment returns) inputs (see Note 1).

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**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(6) RETIREMENT BENEFITS (Continued)

Defined Contribution Plan

Effective January 1, 2006, the Organization began providing retirement benefits for substantially all employees through a 403(b) defined contribution plan (the "403(b) Plan"). The Organization contributes between 3% - 8% of eligible employees' compensation to the 403(b) Plan based on the employee's age and years of service as of December 31, 2005. The 403(b) Plan also allows additional discretionary matching contributions of up to 2% of employee's compensation by the Organization. These additional matching contributions were suspended during fiscal years 2012 and 2011. All contributions made by the Organization vest over a period of three years. The Organization's benefit expense for the 403(b) Plan totaled \$616,814 and \$583,864 for the years ended June 30, 2012 and 2011, respectively.

(7) LEASES

The Organization rents certain office and program space from outside parties and the RCAB under operating lease agreements expiring through August 31, 2018. Rent expense for all offices was \$986,552 and \$994,197 for the years ended June 30, 2012 and 2011, respectively, including "in-kind" rent totaling \$343,107 and \$391,399 for the years ended June 30, 2012 and 2011, respectively (see Notes 1 and 9).

Future minimum lease payments under non-cancelable operating leases consist of the following at June 30, 2012:

| <u>Year Ending June 30,</u> | |
|---------------------------------|--------------------|
| 2013 | \$ 513,107 |
| 2014 | 438,327 |
| 2015 | 317,676 |
| 2016 | 252,303 |
| 2017 | 143,923 |
| Thereafter | <u>103,530</u> |
| Total minimum lease payments | <u>\$1,768,866</u> |

(8) CONTINGENCIES

In conducting its activities, the Organization, from time-to-time, is the subject of various litigation and other potential claims. In management's opinion, the ultimate resolution of such matters will not have a material effect on the combined statement of financial position or combined statement of activities and changes in net assets as of and for the year ended June 30, 2012.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS
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(Continued)**

(9) RELATED PARTIES

As discussed in Note 1, the Organization is organized under the auspices of RCAB. Certain transactions between the Organization and RCAB are described elsewhere in these notes to the combined financial statements. In addition, the Organization has the following transactions with RCAB:

The Organization received contributions from RCAB to subsidize operations. These contributions totaled \$477,124 and \$57,711 for the years ended June 30, 2012 and 2011, respectively. The fiscal year 2012 contributions include proceeds of \$409,435 from Archdiocesan parish collections.

RCAB donated office and building space with a fair rental value of \$343,107 and \$391,399 for the years ended June 30, 2012 and 2011, respectively (see Notes 1 and 7).

The Organization purchases all of its insurance policies (directors' and officers' liability, general liability, automobile, fire and theft, and workers' compensation) through RCAB from various insurance carriers with annual costs totaling \$374,342 and \$388,616 for the years ended June 30, 2012 and 2011, respectively. Amounts owed to RCAB for payment of these operating expenses are non-interest bearing and due on demand and totaled \$721,799 and \$737,797 at June 30, 2012 and 2011, respectively.

A member of the Organization's Board of Trustees is also a Board member for another non-profit organization. The Organization received \$1,349,832 and \$1,415,824 from this other organization for the years ended June 30, 2012 and 2011, respectively, which is included in contributions from United Way organizations in the accompanying combined statements of activities and changes in net assets.

(10) CONCENTRATIONS

The Organization grants credit without collateral to individuals, third-party payors, and certain Federal and state agencies. The mix of receivables was as follows at June 30:

| | <u>2012</u> | <u>2011</u> |
|----------------------------|-------------|-------------|
| Federal and state agencies | 73% | 68% |
| Other third-party payors | 26 | 31 |
| Individuals | <u>1</u> | <u>1</u> |
| | <u>100%</u> | <u>100%</u> |

Certain amounts from Federal and state agencies are subject to possible audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combined financial position of the Organization as of June 30, 2012 and 2011, or on its changes in net assets for the years then ended.

The Organization maintains its operating cash balances in Massachusetts banks. The Federal Deposit Insurance Corporation (FDIC) insures balances up to certain amounts. At certain times during the year, cash balances exceeded the insured amounts. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on its operating cash balance.

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**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(11) TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of donor-restricted gifts and contributions and accumulated earnings on restricted funds and are summarized as follows at June 30:

| | <u>2012</u> | <u>2011</u> |
|--|--------------------|--------------------|
| Program services | \$2,290,877 | \$2,427,997 |
| Accumulated unspent earnings on permanently restricted funds | <u>181,699</u> | <u>197,593</u> |
| Total | <u>\$2,472,576</u> | <u>\$2,625,590</u> |

Permanently restricted net assets consist of the following at June 30:

| | <u>2012</u> | <u>2011</u> |
|--|--------------------|--------------------|
| Beneficial interests in perpetual trusts | \$4,331,956 | \$4,448,324 |
| Investments to be held in perpetuity, the income from which is expendable for purposes designated by the donor (see Note 12) | <u>1,760,873</u> | <u>1,460,873</u> |
| Total | <u>\$6,092,829</u> | <u>\$5,909,197</u> |

(12) ENDOWMENT

Interpretation of Relevant Law and Spending Policy

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the original value of the gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original gift value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
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**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(12) ENDOWMENT (Continued)

Interpretation of Relevant Law and Spending Policy (Continued)

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources
- (7) The investment policies of the Organization.

Earnings on investments are appropriated using a total return spending policy. Investment income or loss is allocated to operating and non-operating activities under this policy. In connection with this policy, five percent of a rolling three year average of the market value of the investment portfolio is currently being used to support operating activities. This amounted to \$317,940 and \$353,400 for the years ended June 30, 2012 and 2011, respectively, and is included in operating activities. The remaining investment income earned on the investment portfolio, net of related management fees, is reported in other changes in net assets.

Return Objectives and Risk Parameters

The investment portfolio is managed to provide for the long-term support of the Organization. Accordingly, these funds are managed with disciplined longer-term investment objectives and strategies designed to meet cash flow and spending requirements. Management of the assets is designed to attain the maximum total return consistent with acceptable and agreed upon levels of risk. The Organization benchmarks its portfolio performance against a number of commonly used indices on a quarterly basis.

Strategies Employed for Achieving Objectives

The overall objective of the investment strategy is to maintain purchasing power of endowment assets before consideration of gifts. To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets an asset allocation strategy wherein assets are diversified among several asset classes. The pursuit of maximizing total return is tempered by the need to minimize the volatility of returns and preserve capital. As such, the Organization seeks broad diversification among assets having different characteristics with the intent to endure lower relative performance in strong markets in exchange for greater downside protection in weak markets.

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
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**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(12) ENDOWMENT (Continued)

The following schedules summarize the changes in the Organization's donor-restricted endowment:

| | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total Endowment</u> |
|-------------------------------------|-----------------------------------|-----------------------------------|----------------------------|
| Endowment net assets, June 30, 2010 | \$ 69,850 | \$1,431,000 | \$1,500,850 |
| Investment return: | | | |
| Net unrealized gains | 127,122 | - | 127,122 |
| Net realized gains | <u>621</u> | <u>-</u> | <u>621</u> |
| Total investment return | <u>127,743</u> | <u>-</u> | <u>127,743</u> |
| Contributions | <u>-</u> | <u>29,873</u> | <u>29,873</u> |
| Endowment net assets, June 30, 2011 | <u>197,593</u> | <u>1,460,873</u> | <u>1,658,466</u> |
| Investment return: | | | |
| Net unrealized losses | (58,899) | - | (58,899) |
| Net realized gains | <u>43,005</u> | <u>-</u> | <u>43,005</u> |
| Total investment return | <u>(15,894)</u> | <u>-</u> | <u>(15,894)</u> |
| Contributions | <u>-</u> | <u>300,000</u> | <u>300,000</u> |
| Endowment net assets, June 30, 2012 | <u>\$181,699</u> | <u>\$1,760,873</u> | <u>\$1,942,572</u> |

(13) DISCONTINUED OPERATIONS

The Organization's Board of Trustees voted to cease operations of two of the Organization's programs as of June 30, 2012. The Organization's Board of Trustees also voted to cease operations of other programs during the year ended June 30, 2011.

The activity relating to the operations of all terminated programs is reflected as loss from discontinued operations in the accompanying combined statements of activities and changes in net assets and are summarized as follows for the years ended June 30:

| | <u>2012</u> | <u>2011</u> |
|-----------------------------------|---------------------|---------------------|
| Revenues | \$1,527,311 | \$1,659,505 |
| Expenses | <u>2,218,467</u> | <u>2,381,286</u> |
| Loss from discontinued operations | <u>\$ (691,156)</u> | <u>\$ (721,781)</u> |

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**NOTES TO COMBINED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011
(Continued)**

(14) SUBSEQUENT EVENT

Subsequent to year end, the Organization's programs that are based in Lynn, Massachusetts were moved to a new facility that was purchased and renovated for their use. On November 5, 2012, the Organization sold the property previously used for \$590,000.

(15) RECLASSIFICATIONS

Certain amounts in the fiscal year 2011 combined financial statements have been reclassified to conform with the fiscal year 2012 presentation.

SUPPLEMENTAL COMBINING INFORMATION

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2012**

| <u>ASSETS</u> | <u>AGENCY</u> | <u>WBCDC</u> | <u>CRCDC</u> | <u>ELIMI- NATIONS</u> | <u>COMBINED TOTAL</u> |
|---|----------------------|---------------------|---------------------|---------------------------|---------------------------|
| CASH AND CASH EQUIVALENTS | \$ 259,860 | \$ - | \$ - | \$ - | \$ 259,860 |
| ACCOUNTS RECEIVABLE, net of allowance for doubtful accounts of approximately \$60,000 at June 30, 2012 | 2,776,174 | - | - | - | 2,776,174 |
| PLEDGES RECEIVABLE | 80,000 | - | - | - | 80,000 |
| INVESTMENTS | 9,253,188 | - | - | - | 9,253,188 |
| BENEFICIAL INTERESTS IN PERPETUAL TRUSTS | 4,331,956 | - | - | - | 4,331,956 |
| PROPERTY AND EQUIPMENT, net | 4,633,623 | 6,336,155 | 7,518,505 | - | 18,488,283 |
| OTHER ASSETS | 153,031 | - | - | - | 153,031 |
| Total assets | <u>\$ 21,487,832</u> | <u>\$ 6,336,155</u> | <u>\$ 7,518,505</u> | <u>\$ -</u> | <u>\$ 35,342,492</u> |
| <u>LIABILITIES AND NET ASSETS</u> | | | | | |
| LIABILITIES: | | | | | |
| Accounts payable, accrued expenses and other | \$ 3,003,182 | \$ - | \$ - | \$ - | \$ 3,003,182 |
| Due to the Roman Catholic Archdiocese of Boston | 721,799 | - | - | - | 721,799 |
| Due to Catholic Charitable Bureau of the Archdiocese of Boston, Inc. | (10,563,381) | 2,841,211 | 7,722,170 | - | - |
| Notes payable | 804,523 | - | - | - | 804,523 |
| Pension benefits liability | 2,416,000 | - | - | - | 2,416,000 |
| Total liabilities | <u>(3,617,877)</u> | <u>2,841,211</u> | <u>7,722,170</u> | <u>-</u> | <u>6,945,504</u> |
| NET ASSETS: | | | | | |
| Unrestricted: | | | | | |
| Operating: | | | | | |
| Working capital | 2,965,207 | - | - | - | 2,965,207 |
| Pension plan | (2,416,000) | - | - | - | (2,416,000) |
| Total operating | 549,207 | - | - | - | 549,207 |
| Property and equipment | 15,167,844 | 3,494,944 | (203,665) | - | 18,459,123 |
| Board designated | 823,253 | - | - | - | 823,253 |
| Total unrestricted | 16,540,304 | 3,494,944 | (203,665) | - | 19,831,583 |
| Temporarily restricted | 2,472,576 | - | - | - | 2,472,576 |
| Permanently restricted | 6,092,829 | - | - | - | 6,092,829 |
| Total net assets | <u>25,105,709</u> | <u>3,494,944</u> | <u>(203,665)</u> | <u>-</u> | <u>28,396,988</u> |
| Total liabilities and net assets | <u>\$ 21,487,832</u> | <u>\$ 6,336,155</u> | <u>\$ 7,518,505</u> | <u>\$ -</u> | <u>\$ 35,342,492</u> |

**CATHOLIC CHARITABLE BUREAU OF THE ARCHDIOCESE
OF BOSTON, INC. AND AFFILIATES**

**COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

| | AGENCY | | WBCDC | CRCDC | ELIMI- NATIONS | COMBINED TOTAL |
|---|---------------------|---------------------------|---------------------------|----------------|-------------------|---------------------|
| | UNRESTRICTED | TEMPORARILY RESTRICTED | PERMANENTLY RESTRICTED | UNRESTRICTED | | |
| OPERATING SUPPORT, REVENUE AND GAINS: | | | | | | |
| Contributions and fundraising: | | | | | | |
| Contributions and fundraising | \$ 6,536,330 | \$ 2,110,758 | \$ 300,000 | \$ - | \$ - | \$ 8,947,088 |
| Contributions from United Way organizations | 1,442,067 | - | - | - | - | 1,442,067 |
| Contributions from the Roman Catholic Archdiocese of Boston (including in-kind contributions of \$343,107) | 820,231 | - | - | - | - | 820,231 |
| Total contributions and fundraising | <u>8,798,628</u> | <u>2,110,758</u> | <u>300,000</u> | <u>-</u> | <u>-</u> | <u>11,209,386</u> |
| Program service fees, grants and contract revenue: | | | | | | |
| Individuals | 3,515,862 | - | - | - | - | 3,515,862 |
| Medicaid and Medicare | 729,124 | - | - | - | - | 729,124 |
| Commercial insurance fees | 500,739 | - | - | - | - | 500,739 |
| Other | 15,893 | - | - | - | - | 15,893 |
| Contract revenue from governmental and other agencies | 18,858,147 | - | - | - | - | 18,858,147 |
| Grants | 1,901,306 | 1,683 | - | - | - | 1,902,989 |
| Total program service fees, grants and contract revenue | <u>25,521,071</u> | <u>1,683</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>25,522,754</u> |
| Investment earnings used for operations under the spending policy | 317,940 | - | - | - | - | 317,940 |
| Miscellaneous revenue | 22,970 | - | - | 209,844 | 272,892 | (482,736) |
| Net assets released from restrictions used for operations | 2,249,561 | (2,249,561) | - | - | - | - |
| Subtotal | <u>2,590,471</u> | <u>(2,249,561)</u> | <u>-</u> | <u>209,844</u> | <u>272,892</u> | <u>(482,736)</u> |
| Total operating support, revenue and gains | <u>36,910,170</u> | <u>(137,120)</u> | <u>300,000</u> | <u>209,844</u> | <u>272,892</u> | <u>(482,736)</u> |
| OPERATING EXPENSES: | | | | | | |
| Program services: | | | | | | |
| Community social services | 16,571,029 | - | - | 142,513 | 178,155 | (320,668) |
| Day care services | 13,441,647 | - | - | 39,588 | 76,716 | (116,304) |
| Behavioral health and addiction treatment services | 1,414,175 | - | - | - | - | - |
| Total program services | <u>31,426,851</u> | <u>-</u> | <u>-</u> | <u>182,101</u> | <u>254,871</u> | <u>(436,972)</u> |
| Support services: | | | | | | |
| Management and general | 3,962,011 | - | - | 23,131 | 9,859 | (32,990) |
| Fundraising | 1,498,616 | - | - | 4,612 | 8,162 | (12,774) |
| Total support services | <u>5,460,627</u> | <u>-</u> | <u>-</u> | <u>27,743</u> | <u>18,021</u> | <u>(45,764)</u> |
| Total operating expenses | <u>36,887,478</u> | <u>-</u> | <u>-</u> | <u>209,844</u> | <u>272,892</u> | <u>(482,736)</u> |
| Changes in net assets from operations | 22,692 | (137,120) | 300,000 | - | - | 185,572 |
| OTHER CHANGES IN NET ASSETS: | | | | | | |
| Pension related changes other than net periodic pension cost | 265,000 | - | - | - | - | 265,000 |
| Investment earnings | 166,897 | (15,894) | - | - | - | 151,003 |
| Net loss on sale and disposal of property and equipment | (5,303) | - | - | - | - | (5,303) |
| Change in fair value of beneficial interests in perpetual trusts | - | - | (116,368) | - | - | (116,368) |
| Investment earnings used for operations under the spending policy | (317,940) | - | - | - | - | (317,940) |
| Changes in net assets before loss from discontinued operations | <u>131,346</u> | <u>(153,014)</u> | <u>183,632</u> | <u>-</u> | <u>-</u> | <u>161,964</u> |
| LOSS FROM DISCONTINUED OPERATIONS | <u>(691,156)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(691,156)</u> |
| Changes in net assets | <u>\$ (559,810)</u> | <u>\$ (153,014)</u> | <u>\$ 183,632</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (529,192)</u> |