

Financial Statements, Supplemental Schedules and
Report of Independent Certified Public Accountants

**The Roman Catholic Archbishop of Boston,
A Corporation Sole**

June 30, 2008 and 2007

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Report of Independent Certified Public Accountants

His Eminence
Cardinal Sean Patrick O'Malley, O.F.M. Cap.
The Roman Catholic Archbishop of Boston

We have audited the accompanying statements of financial position of The Roman Catholic Archbishop of Boston, A Corporation Sole (the "Corporation Sole") as of June 30, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation Sole's management. 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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation Sole's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Roman Catholic Archbishop of Boston, A Corporation Sole as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed further in note H, on June 30, 2007, the Corporation Sole adopted Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)".

Grant Thornton LLP

Boston, Massachusetts
March 17, 2009

**THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE**

Statements of Financial Position

June 30, 2008 and 2007

	2008	2007
ASSETS		
Cash and cash equivalents:		
Parish operations	\$ 63,328,020	\$ 61,480,432
Revolving loan fund	77,153,632	82,233,311
Central operations	57,235,795	34,031,780
Insurance operations	6,350,076	11,242,844
Parish reconfiguration	8,261,748	7,608,758
Total cash and cash equivalents	212,329,271	196,597,125
Interest and dividends receivable	976,976	708,724
Prepaid expenses and other assets	8,151,969	3,956,004
Accounts receivable, net	2,306,581	2,149,951
Due from related organizations	1,867,086	891,540
Contributions receivable, net	7,162,705	2,762,295
Loans receivable, net (note C)	8,662,555	5,242,138
Land and buildings held for sale (note E)	1,625,745	10,349,839
Investments (note D)	93,307,213	81,946,309
Interest in net assets of a foundation (note G)	14,422,454	12,791,523
Land, buildings and equipment, net (note E)	396,442,547	340,958,379
Total assets	<u>\$ 747,255,102</u>	<u>\$ 658,353,827</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 17,378,607	\$ 13,008,846
Agency obligations	1,380,434	830,477
Reserves for losses (note J)	13,690,682	20,797,288
Due to related organizations (note L)	52,077,601	1,797,684
Deferred revenue and support	17,960,325	18,818,731
Accrued pension and other post retirement costs (note H)	114,483,100	109,614,000
Other liabilities	3,413,487	3,222,076
Note payable - related organization (note F)	5,634,713	6,070,358
Other notes payable (note F)	1,311,955	27,516,150
Total liabilities	<u>227,330,904</u>	<u>201,675,610</u>
 NET ASSETS:		
Unrestricted	462,045,367	413,287,153
Temporarily restricted (note G)	27,673,172	19,834,860
Permanently restricted (note G)	30,205,659	23,556,204
Total net assets	<u>519,924,198</u>	<u>456,678,217</u>
Total liabilities and net assets	<u>\$ 747,255,102</u>	<u>\$ 658,353,827</u>

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

**THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE**

Statements of Activities

For the year ended June 30, 2008

(With summarized comparative information for the year ended June 30, 2007)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2008 Total	2007 Total
REVENUES AND OTHER SUPPORT:					
Collections	\$ 118,014,221	\$ 1,702,072	\$ -	\$ 119,716,293	\$ 114,029,197
Collections - clergy benefits	-	5,448,837	-	5,448,837	5,599,088
Catholic Appeal	15,669,488	-	-	15,669,488	13,592,988
Contributions, bequests and grants	16,755,217	7,832,936	3,765,777	28,353,930	16,877,109
Parish fundraiser events	22,544,928	3,353,787	-	25,898,715	26,156,677
Tuition and fees	103,924,689	-	-	103,924,689	103,342,493
Investment income	10,282,888	1,098,516	-	11,381,404	13,331,684
Rental income	11,532,636	-	-	11,532,636	10,971,551
Cemetery operations	3,667,873	-	-	3,667,873	3,914,421
Revenue from services provided (note L)	6,080,922	-	-	6,080,922	7,236,702
Insurance revenues	1,426,044	-	-	1,426,044	414,812
Sacramental offerings	5,658,617	-	-	5,658,617	5,353,487
Other revenues	22,233,471	-	-	22,233,471	25,969,953
Revenue from and change in interest in net assets of a foundation	(580,386)	762,977	1,607,743	1,790,334	1,183,551
Net assets released from restrictions and reclassifications (note G)	7,777,350	(9,053,285)	1,275,935	-	-
Total revenues and other support	344,987,958	11,145,840	6,649,455	362,783,253	347,973,713
EXPENSES:					
Program:					
Pastoral	173,055,799	-	-	173,055,799	161,736,986
Education	132,346,449	-	-	132,346,449	127,567,437
Ministerial	3,888,534	-	-	3,888,534	3,449,459
Social	1,866,540	-	-	1,866,540	2,133,763
Central and Regional services	4,268,378	-	-	4,268,378	6,309,121
Community relations	966,669	-	-	966,669	909,270
Auxiliary services	1,663,032	-	-	1,663,032	1,744,880
Cemetery	5,015,203	-	-	5,015,203	4,788,161
Total program expenses	323,070,604	-	-	323,070,604	308,639,077
Management and general	18,801,819	-	-	18,801,819	15,543,433
Fundraising	10,566,200	-	-	10,566,200	8,144,540
Parish reconfiguration (note I)	1,377,617	-	-	1,377,617	1,785,383
Total expenses	353,816,240	-	-	353,816,240	334,112,433
Operating income	(8,828,282)	11,145,840	6,649,455	8,967,013	13,861,280
NONOPERATING INCOME (LOSS):					
Contribution	-	25,750,000	-	25,750,000	-
Net assets released from restrictions	25,750,000	(25,750,000)	-	-	-
Net realized and unrealized gain (loss) on investments	(3,276,097)	(3,307,528)	-	(6,583,625)	5,951,056
Gain on sale of administrative campus property	11,737,932	-	-	11,737,932	7,865,070
Gain on sale of other land and buildings (note I)	27,579,422	-	-	27,579,422	12,241,530
Insurance and other recoveries (note J)	2,835,628	-	-	2,835,628	9,030,650
Settlement and related expenses (note J)	(3,243,917)	-	-	(3,243,917)	(1,579,582)
Pension-related changes other than periodic pension costs	(452,000)	-	-	(452,000)	-
Nonoperating income (loss)	60,930,968	(3,307,528)	-	57,623,440	33,508,724
CHANGE IN NET ASSETS BEFORE THE IMPACT OF ADOPTION OF SFAS NO. 158					
	52,102,686	7,838,312	6,649,455	66,590,453	47,370,004
Impact of adoption of SFAS No. 158 (note H)	-	-	-	-	24,292,000
CHANGE IN NET ASSETS					
	52,102,686	7,838,312	6,649,455	66,590,453	71,662,004
Net assets at beginning of year	413,287,153	19,834,860	23,556,204	456,678,217	389,269,923
Net asset transfers to related organizations (note L)	(3,344,472)	-	-	(3,344,472)	(4,253,710)
Net assets at end of year	\$ 462,045,367	\$ 27,673,172	\$ 30,205,659	\$ 519,924,198	\$ 456,678,217

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

**THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE**

Statement of Activities

For the year ended June 30, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT:				
Collections	\$ 112,283,468	\$ 1,745,729	\$ -	\$ 114,029,197
Collections - clergy benefits	-	5,599,088	-	5,599,088
Catholic Appeal	13,592,988	-	-	13,592,988
Contributions, bequests and grants	13,931,154	2,404,715	541,240	16,877,109
Parish fundraiser events	26,156,677	-	-	26,156,677
Tuition and fees	103,342,493	-	-	103,342,493
Investment income	12,450,243	881,441	-	13,331,684
Rental income	10,971,551	-	-	10,971,551
Cemetery operations	3,914,421	-	-	3,914,421
Revenue from services provided (note L)	7,236,702	-	-	7,236,702
Insurance fund revenues	414,812	-	-	414,812
Sacramental offerings	5,353,487	-	-	5,353,487
Other revenues	25,948,601	17,416	3,936	25,969,953
Revenue from and change in interest in net assets of a foundation	-	(42,958)	1,226,509	1,183,551
Net assets released from restrictions and reclassifications (note G)	13,012,100	(13,012,100)	-	-
Total revenues, gains and other support	348,608,697	(2,406,669)	1,771,685	347,973,713
EXPENSES:				
Program:				
Pastoral	161,736,986	-	-	161,736,986
Education	127,567,437	-	-	127,567,437
Ministerial	3,449,459	-	-	3,449,459
Social	2,133,763	-	-	2,133,763
Central and Regional services	6,309,121	-	-	6,309,121
Community relations	909,270	-	-	909,270
Auxiliary services	1,744,880	-	-	1,744,880
Cemetery	4,788,161	-	-	4,788,161
Total program expenses	308,639,077	-	-	308,639,077
Management and general	15,543,433	-	-	15,543,433
Fundraising	8,144,540	-	-	8,144,540
Parish reconfiguration (note I)	1,785,383	-	-	1,785,383
Total expenses	334,112,433	-	-	334,112,433
Operating income (loss)	14,496,264	(2,406,669)	1,771,685	13,861,280
NONOPERATING INCOME (LOSS):				
Net realized and unrealized gain on investments	4,283,168	1,667,888	-	5,951,056
Gain on sale of administrative campus property	7,865,070	-	-	7,865,070
Gain on sale of other land and buildings (note I)	12,241,530	-	-	12,241,530
Insurance and other recoveries (note J)	9,030,650	-	-	9,030,650
Settlement and related expenses (note J)	(1,579,582)	-	-	(1,579,582)
Nonoperating income	31,840,836	1,667,888	-	33,508,724
CHANGE IN NET ASSETS BEFORE THE IMPACT OF ADOPTION OF SFAS NO. 158				
	46,337,100	(738,781)	1,771,685	47,370,004
Impact of adoption of SFAS No. 158 (note H)	24,292,000	-	-	24,292,000
CHANGE IN NET ASSETS	70,629,100	(738,781)	1,771,685	71,662,004
Net assets at beginning of year	344,675,005	21,810,399	22,784,519	389,269,923
Net asset transfers to related organizations (note L)	(2,016,952)	(1,236,758)	(1,000,000)	(4,253,710)
Net assets at end of year	\$ 413,287,153	\$ 19,834,860	\$ 23,556,204	\$ 456,678,217

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

**THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE**

Statements of Cash Flows

For the years ended June 30, 2008 and 2007

	2008	2007
OPERATING ACTIVITIES:		
Change in net assets	\$ 66,590,453	\$ 71,662,004
Adjustments to reconcile the change in net assets to net cash and cash equivalents provided by operating activities:		
Net realized and unrealized loss (gain) on investments	6,583,625	(5,951,056)
Property related insurance recoveries	(1,027,215)	(7,519,237)
Depreciation	13,595,508	12,788,353
Adjustment to initially apply SFAS No. 158	-	(24,292,000)
Interest accrued on note payable - related organization	(435,645)	738,464
Gain on sale of administrative campus property	(11,737,932)	(7,865,070)
Gain on sale of other land and buildings	(27,579,422)	(12,241,530)
Provision for uncollectible accounts, contributions and loans receivable	18,627	242,178
Contributions restricted for long term purposes	(29,515,777)	(541,240)
Change in interest in net assets of a foundation	(1,630,931)	(305,255)
Changes in operating assets and liabilities:		
Cash limited as to use	-	1,069,425
Interest and dividends receivable	(268,252)	(120,314)
Prepaid expenses and other assets	(4,195,965)	(1,633,808)
Accounts receivable, net	(380,460)	(637,575)
Due from related organizations	(975,546)	-
Contributions receivable	(4,901,853)	(664,148)
Accounts payable and accrued expenses	1,253,658	2,293,105
Agency obligations	549,958	346,165
Reserves for losses	(7,106,605)	(2,673,107)
Due to related organizations	4,838,500	114,505
Deferred revenue and support	(858,406)	719,083
Accrued pension and other postretirement costs	4,869,100	878,000
Other liabilities	191,409	(145,342)
Net cash and cash equivalents provided by operating activities	<u>7,876,829</u>	<u>26,261,600</u>
INVESTING ACTIVITIES:		
Proceeds from sale of land, buildings and equipment	49,126,129	22,511,811
Property related insurance recoveries	1,027,215	7,519,237
Purchase of land, buildings and equipment	(67,248,840)	(36,160,398)
Proceeds from sale of investments and maturity of annuities	9,207,766	12,324,254
Purchase of investments	(27,152,296)	(23,437,120)
Net advances on loans	(2,713,770)	(1,060,583)
Net cash and cash equivalents used in investing activities	<u>(37,753,796)</u>	<u>(18,302,799)</u>
FINANCING ACTIVITIES:		
Advances from related organization	45,441,417	-
Repayments of other notes payable	(26,204,195)	(1,299,739)
Contributions restricted for long term purposes	29,515,777	541,240
Net cash and cash equivalents provided by (used in) financing activities	<u>48,752,999</u>	<u>(758,499)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,876,032	7,200,302
Cash and cash equivalents at beginning of year	196,597,125	192,292,620
Cash transfers to related organizations (note L)	(3,143,886)	(2,895,797)
Cash and cash equivalents at end of year	<u>\$ 212,329,271</u>	<u>\$ 196,597,125</u>

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

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON, A CORPORATION SOLE

Notes to Financial Statements

June 30, 2008 and 2007

NOTE A - NATURE OF ORGANIZATION

The Roman Catholic Archbishop of Boston, A Corporation Sole (the "Corporation Sole") is a legal entity created under Massachusetts civil law in 1897 to provide the Roman Catholic Archbishop of Boston with a means to operate within, and be governed by, the public statutes of the Commonwealth of Massachusetts. The Corporation Sole, as an entity, is distinguishable from the Roman Catholic Archbishop of Boston whose powers and responsibilities are established by Canon Law.

The accompanying financial statements of the Corporation Sole include the activities of all parishes located within the Archdiocese of Boston, the central operations (the corporate administrative activities and programs of the Corporation Sole), endowment and self-insurance.

The Archbishop of Boston, by virtue of his office, serves as chairman of the board of numerous separately incorporated Catholic organizations that operate within the Archdiocese of Boston. While these organizations are considered to be related organizations of the Corporation Sole, they are not under the control of the Corporation Sole and, accordingly, their financial activities are not presented as part of the accompanying financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Corporation Sole have been prepared on the accrual basis of accounting and in accordance with the reporting principles of not-for-profit accounting.

The Corporation Sole reports three classes of net assets and the changes in those net assets in the statements of financial position and statements of activities, respectively. The three classes of net assets - unrestricted, temporarily restricted and permanently restricted - are based on the existence or absence of donor-imposed restrictions, either explicit or implicit. The three classifications are defined 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 the Corporation Sole to use or expend the donated assets as specified and that are satisfied by either the passage of time or by actions of the Corporation Sole.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation Sole. Generally, the donors of these assets permit the Corporation Sole to use, all or in part, the income earned on related investments for general or specific purposes. Unexpended appreciation on permanently restricted net assets is included in temporarily restricted net assets.

The Corporation Sole reports gifts of cash and other assets as restricted support if there are donor restrictions as to purpose or time. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON, A CORPORATION SOLE

Notes to Financial Statements - Continued

June 30, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Corporation Sole reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation Sole reports expirations of donor restrictions in the period the expenditure is made.

Cash Equivalents

Financial instruments with original maturities of three months or less at purchase are classified as cash equivalents. Included in cash equivalents are investments in money market mutual funds and certificates of deposits of \$140.9 million and \$128.5 million at June 30, 2008 and 2007, respectively.

The Corporation Sole deposits its cash in major financial institutions. These deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000 per institution through December 31, 2009 and \$100,000 thereafter with respect to interest bearing accounts. Unlimited deposit insurance coverage is available through December 31, 2009 for non-interest bearing accounts at institutions participating in the FDIC's temporary liquidity guarantee program. While at times, funds deposited in banks are in excess of FDIC insured limits, the Corporation Sole has not experienced any losses as a result of the use of uninsured deposit accounts.

Accounts and Loans Receivable

Accounts receivable include amounts due for tuition and amounts due from related organizations for insurance and other central services and are reduced by an allowance for doubtful collections. Loans receivable represent advances made to related organizations, principally Archdiocesan high schools and other Catholic organizations.

Loans receivable are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Generally, loans are granted for specific periods of time and contain specific provisions for monthly payments. Loans are collateralized by certain assets of the related organization being granted the loan. Interest income on performing loans is accrued at rates ranging from 5.5% to 10% on the respective unpaid principal balance.

Loans are classified as nonperforming, and considered impaired, when they are over ninety days past due. Generally, loans are restored to performing status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectibility of the total contractual principal and interest is no longer in doubt.

Allowances for Loan Losses

The allowance for loan losses is maintained at a level believed by management to be representative of inherent losses estimated on the basis of factors such as the risk characteristics of the borrower, underlying collateral and current economic conditions that may affect the borrower's ability to pay. Loans are written-off in whole or in part when, in management's opinion, collectibility is considered remote. Subsequent recoveries, if any, are credited back to the allowance for loan losses.

While management uses available information to establish the allowance for loan losses, future additions or reductions to the allowance may become necessary if circumstances differ from the assumptions used in making the evaluation.

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON, A CORPORATION SOLE

Notes to Financial Statements - Continued

June 30, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Investments

Investments are carried at fair value. Changes in fair values are reflected in the statements of activities as gains or losses on investments.

Included in investments are holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston (the "Common Investment Fund") and the Fixed Income Investment Fund, Roman Catholic Archbishop of Boston (the "Fixed Income Fund"). Both are separate related organizations established to provide a common investment pool in which the Corporation Sole and other Catholic organizations may participate. The participants own units based upon a per-unit value at the time of purchase. It is the policy of the Common Investment Fund to distribute to its members on a quarterly basis 1% of the net assets of the Fund as of the previous quarter-end. The policy of the Fixed Income Fund is to distribute all net investment income to its members on a quarterly basis on the last day of the same quarter. This dividend policy is subject to change at the discretion of the Trustee, the Roman Catholic Archbishop of Boston. The Common Investment Fund and the Fixed Income Fund incur service fees from the Corporation Sole for administrative and clerical services performed on their behalf.

The Common Investment Fund invests nearly all of its funds in the Collective Investment Partnership, Roman Catholic Archbishop of Boston (the "Partnership"), the underlying investments of which are primarily equity and fixed-income securities (U.S. Government and agency securities, asset-backed securities and corporate bonds) owned either directly, or indirectly through mutual funds and private investment entities.

The fair value of the Partnership's investments in actively traded securities is determined by State Street Corporation which obtains bid price quotations from independent pricing services on most domestic securities. Investments in traded foreign securities are valued at the mean between bid and asked prices. For those securities whose prices are not available through independent pricing services, bid price quotations are obtained by State Street Corporation from principal market makers in those securities or at fair value as determined in good faith by its management. Investment holdings of private investment entities that are not actively traded are valued by the managers of these entities.

Also included in investments are mutual funds held under split-interest agreements. The funds were received as part of charitable gift annuities with the Corporation Sole having sole investment authority and are invested in balanced mutual funds (equity and fixed-income) at June 30, 2008 and 2007.

Interest in Net Assets of a Foundation

The Corporation Sole is a designated beneficiary in certain pledges and assets held by The Catholic Foundation of the Archdiocese of Boston, Inc. ("The Catholic Foundation"), a separate related organization (see Note L).

Land, Buildings and Equipment

Land and land improvements, buildings and building improvements, and furniture and equipment are carried at cost, or if donated, at fair market 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 five years for furniture and equipment to forty years for buildings. Expenditures for maintenance and repairs are charged to expense, whereas major betterments are capitalized.

