

Financial Statements and Report of Independent
Certified Public Accountants

Archdiocese of Boston

Clergy Retirement/Disability Plan

June 30, 2009

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Report of Independent Certified Public Accountants

To the Trustee
Archdiocese of Boston Clergy Retirement/Disability Plan

We have audited the accompanying statements of net assets available for benefits and of accumulated plan benefits and benefit obligations of the Archdiocese of Boston Clergy Retirement/Disability Plan as of June 30, 2009, and the related statements of changes in net assets available for benefits and of changes in accumulated plan benefits and benefit obligations for the year ended June 30, 2009. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the Archdiocese of Boston Clergy Retirement/Disability Plan as of June 30, 2008 and for the years ended June 30, 2008 and 2007, were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated January 7, 2009.

We conducted our audit 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 also 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 Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the Archdiocese of Boston Clergy Retirement/Disability Plan as of June 30, 2009, and the changes in its financial status for the year ended June 30, 2009, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Boston, Massachusetts
April 22, 2010

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Statements of Net Assets Available for Benefits

June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|--------------------------------------------------------------------|---------------------------------|---------------------------------|
| <u>Assets</u> | | |
| Investments, at fair value (notes C and H) | | |
| Collective Investment Partnership | \$ - | \$ 30,760,206 |
| Common Investment Fund | 398,409 | 468,505 |
| Fixed Income Investment Fund | 800,340 | 805,466 |
| | <u>1,198,749</u> | <u>32,034,177</u> |
| Cash and cash equivalents | 18,249,092 | 3,219,531 |
| Property leased to Regina Cleri, Incorporated, net (notes D and G) | <u>14,461,934</u> | <u>14,793,775</u> |
| TOTAL ASSETS | <u>33,909,775</u> | <u>50,047,483</u> |
| <u>Liabilities</u> | | |
| Accounts payable and accrued expenses | 194,631 | 64,376 |
| Deferred lease income (note G) | <u>3,796,233</u> | <u>4,044,993</u> |
| TOTAL LIABILITIES | <u>3,990,864</u> | <u>4,109,369</u> |
| NET ASSETS AVAILABLE FOR BENEFITS | <u>\$ 29,918,911</u> | <u>\$ 45,938,114</u> |

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Statements of Changes in Net Assets Available for Benefits

Year ended June 30

| | 2009 | 2008 | 2007 |
|----------------------------------------------------------------------|----------------------|----------------------|----------------------|
| ADDITIONS | | | |
| Investment income (note C): | | | |
| Interest | \$ 42,574 | \$ 75,789 | \$ 57,321 |
| Dividends | 27,369 | 49,082 | 35,479 |
| Net realized and unrealized (losses) gains on investments | <u>(5,470,407)</u> | <u>(2,517,123)</u> | <u>5,363,580</u> |
| | <u>(5,400,464)</u> | <u>(2,392,252)</u> | <u>5,456,380</u> |
| Other income: | | | |
| Gifts, bequests and contributions (note B) | 477,828 | 98,813 | 16,708 |
| Rental income (note G) | 500,000 | 500,000 | 500,000 |
| Other revenue | 24,350 | - | - |
| | <u>1,002,178</u> | <u>598,813</u> | <u>516,708</u> |
| Total additions (deductions) | <u>(4,398,286)</u> | <u>(1,793,439)</u> | <u>5,973,088</u> |
| DEDUCTIONS | | | |
| Health insurance (note G) | 1,833,975 | 1,854,165 | 1,788,345 |
| Room and board | 4,894,804 | 5,674,943 | 4,772,283 |
| Retirement benefits | 3,902,998 | 4,227,115 | 3,926,659 |
| Disability benefits | 188,853 | 253,063 | 525,572 |
| Professional and service fees (note G) | 216,855 | 229,934 | 252,759 |
| Interest expense (note G) | 251,240 | 266,597 | 281,006 |
| Depreciation expense (note D) | 331,842 | 325,513 | 323,798 |
| Miscellaneous | 350 | 48,752 | 299 |
| | <u>11,620,917</u> | <u>12,880,082</u> | <u>11,870,721</u> |
| Total deductions | <u>11,620,917</u> | <u>12,880,082</u> | <u>11,870,721</u> |
| NET DECREASE | <u>(16,019,203)</u> | <u>(14,673,521)</u> | <u>(5,897,633)</u> |
| NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR | 45,938,114 | 57,111,635 | 55,509,268 |
| TRANSFER FROM ARCHDIOCESE OF BOSTON CLERGY BENEFIT TRUST (Note G) | <u>-</u> | <u>3,500,000</u> | <u>7,500,000</u> |
| NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR | <u>\$ 29,918,911</u> | <u>\$ 45,938,114</u> | <u>\$ 57,111,635</u> |

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Statements of Accumulated Plan Benefits and Benefit Obligations

June 30, 2009 and 2008

| | <u>2009</u> | <u>2008</u> |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS | | |
| Retired and disabled participants currently receiving pension benefits | \$ 51,147,451 | \$ 66,663,948 |
| Other participants | <u>31,897,376</u> | <u>51,382,696</u> |
| TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS | <u>83,044,827</u> | <u>118,046,644</u> |
| ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS | | |
| Retired and disabled participants currently receiving health, dental and subsistence benefits | 20,077,342 | 21,812,183 |
| Other participants | <u>21,751,010</u> | <u>22,325,038</u> |
| TOTAL ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS | <u>41,828,352</u> | <u>44,137,221</u> |
| TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS | <u>\$ 124,873,179</u> | <u>\$ 162,183,865</u> |

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Statements of Changes in Accumulated Plan Benefits and Benefit Obligations

Year ended June 30

| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
|-------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|
| CHANGES IN ACCUMULATED PENSION PLAN BENEFITS | | | |
| ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS AT BEGINNING OF YEAR | \$ <u>118,046,644</u> | \$ <u>116,998,524</u> | \$ <u>121,293,446</u> |
| INCREASE (DECREASE) DURING THE YEAR ATTRIBUTABLE TO: | | | |
| Benefits accumulated (settled) | (4,713,988) | 2,173,440 | (5,897,528) |
| Increase for interest due to the decrease in the discount period | 7,447,607 | 7,362,998 | 7,675,333 |
| Benefits paid | (8,968,479) | (10,155,120) | (9,224,514) |
| Changes in plan provisions (note A) | (21,092,699) | - | 4,015,884 |
| Changes in assumptions (note A) | <u>(7,674,258)</u> | <u>1,666,802</u> | <u>(864,097)</u> |
| Net increase (decrease) | <u>(35,001,817)</u> | <u>1,048,120</u> | <u>(4,294,922)</u> |
| ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS AT END OF YEAR | \$ <u>83,044,827</u> | \$ <u>118,046,644</u> | \$ <u>116,998,524</u> |
| CHANGES IN OTHER POST-RETIREMENT BENEFIT OBLIGATIONS | | | |
| ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS AT BEGINNING OF YEAR | \$ <u>44,137,221</u> | \$ <u>46,675,587</u> | \$ <u>44,471,943</u> |
| INCREASE (DECREASE) DURING THE YEAR ATTRIBUTABLE TO: | | | |
| Benefits settled | (1,278,565) | (478,292) | (977,411) |
| Increase for interest due to the decrease in the discount period | 2,867,844 | 3,025,078 | 2,879,933 |
| Benefits paid | (1,833,975) | (1,854,164) | (1,788,345) |
| Change in plan provisions (note A) | - | - | - |
| Changes in assumptions (note A) | <u>(2,064,173)</u> | <u>(3,230,988)</u> | <u>2,089,467</u> |
| Net (decrease) increase | <u>(2,308,869)</u> | <u>(2,538,366)</u> | <u>2,203,644</u> |
| ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS AT END OF YEAR | \$ <u>41,828,352</u> | \$ <u>44,137,221</u> | \$ <u>46,675,587</u> |

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements

June 30, 2009

NOTE A - DESCRIPTION OF PLAN

The following brief description of the Archdiocese of Boston Clergy Retirement/Disability Plan ("the Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

General Description of Eligibility

The Plan is a noncontributory defined benefit pension plan covering priests incardinated in the Roman Catholic Archdiocese of Boston who are in good standing within the norms of canon law. Established on July 1, 1974, the Plan provides benefits for general, early, disability and postponed retirement. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Pension Benefits

The monthly retirement pension available to a priest who retires at the general retirement age of 70 includes a stipend and room and board, which varies depending upon the retiree's residence. The monthly stipend ranges from \$564 to \$1,289. The monthly room and board benefit ranges from \$600 if living on his own or in a parish to the cost of a nursing home or assisted-living facility if the retiree is residing at one of these locations. A priest who has attained at least age 65 may, with the permission of the Roman Catholic Archbishop of Boston, retire early and receive a retirement pension. Any priest who becomes totally and permanently disabled qualifies for his retirement pension.

It is the Plan's intention to provide funds in amounts sufficient to fund normal annual costs of the Plan.

Other Post-Retirement Benefits

Other post-retirement benefits include future benefits expected to be paid to or for currently retired clergy and active clergy after retirement from service consisting of health, dental and subsistence benefits.

Plan Funding

The primary source of funding for clergy retirement and disability benefits is from contributions, principally from special collections from parishes in the Archdiocese of Boston. These collections are held in the Archdiocese of Boston Clergy Benefit Trust, a related depository trust. Funds are transferred to the Plan periodically at the direction of the Trustee. As of June 30, 2009, net assets of the Archdiocese of Boston Clergy Benefit Trust were \$6.7 million.

During the years ended 2008 and 2007 the Plan received \$3.5 and \$7.75 million, respectively in unrestricted funds from the Archdiocese of Boston Clergy Benefit Trust to assist in funding the Plan's obligations. There were no transfers made in 2009.

Changes in Assumptions

Pension

During fiscal years 2009 and 2008, the demographic projections related to forecasting of living arrangements were adjusted, reflecting an increase in both 2009 and 2008 accumulated benefits.

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements - Continued

June 30, 2009

NOTE A - DESCRIPTION OF PLAN – Continued

Other Post-Retirement Benefits

Certain healthcare cost trends were decreased from 8.5% to 8.0% in 2009, decreased from 9% to 8.5% in 2008, and increased from 8% to 9% in 2007.

The effects of the changes in assumptions are reflected in the accompanying financial statements for each of the three years ended June 30, 2009.

Change in Plan Provisions

Pension and Other Post-Retirement Benefits

The Plan introduced policy changes to address the aging priest population and related increased medical costs. The Plan implemented a new Housing Policy which outlines the general retirement pension payable to a retired priest based on residence. The amendment resulted in a \$21 million change in plan provisions which is included in the changes in accumulated pension plan benefits costs in the statement of changes in accumulated plan benefits and benefit obligations for the year ended June 30, 2009. The valuation calculation included in Note E reflects the impact of the new Housing Policy.

The amendment also includes the termination of benefits paid from this trust for priests who have been accused of misconduct. This amendment was effective July 1, 2008. The amendment resulted in a \$10 million change in plan assumptions which is included in the changes in accumulated pension plan benefits costs in the statement of changes in accumulated plan benefits and benefit obligations for the year ended June 30, 2009.

During fiscal year 2008, the valuation results reflect a decrease in the supplemental disposable income and room benefits for senior priests in residence. The change is reflected in the change in plan provisions which is included in the changes in accumulated pension plan benefits costs in the statement of changes in accumulated plan benefits and benefit obligations for the year ended June 30, 2008.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Plan are described below:

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

The Plan deposits its cash in major financial institutions, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. At times, such cash is in excess of FDIC insured limits. At June 30, 2009, the excess approximated \$926,000 based on bank balances. Cash equivalents consist of investments in uninsured money market mutual funds approximating \$17,069,000 at June 30, 2009. The Plan has not experienced any losses as a result of uninsured amounts.

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements - Continued

June 30, 2009

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 changes in net assets available for benefits 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 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 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 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 domestic and foreign securities listed on securities exchanges is valued at the last sale price. For those securities whose prices are not available through independent pricing services, bid price quotations are obtained by the investment custodian from principal market makers in those securities or at fair value as determined in good faith by investment managers. Securities whose prices are not available through independent pricing services are recorded at fair value based on the net asset value per share as reported by the sponsoring entity.

Securities Transactions and Investment Income

Securities transactions are recorded on a trade date basis. Realized gains and losses from securities are calculated using an average cost basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date.

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements - Continued

June 30, 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Leased to Regina Cleri, Incorporated

Land and buildings purchased from and leased back to Regina Cleri, Incorporated, a related organization, are stated at cost, less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets by using straight-line methods. The estimated useful life of the buildings is 40 years.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Gifts, Bequests and Contributions

Gifts, bequests and contributions are recognized when the donor makes a donation.

Actuarial Present Value of Accumulated Pension Plan Benefits

Accumulated pension plan benefits are those future periodic payments that are expected to be paid under the Plan's provisions to retired and active priests.

The actuarial present value of accumulated pension plan benefits is determined by an actuary, and is the amount that results from applying actuarial assumptions to adjust the accumulated pension plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment. The significant actuarial assumptions used in the valuations as of June 30, 2009 and 2008 are as follows:

| | <u>2009</u> | <u>2008</u> |
|---------------------------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Investment return | 6.2% | 6.5% |
| Mortality before and after retirement | RP 2000 Combined Healthy No Collar Projection 2020 Mortality Table | RP 2000 Combined Healthy No Collar Projection 2020 Mortality Table |
| Retirement age | 72 | 72 |
| Asset valuation | Market value | Market value |
| Retirement benefit | \$1,266 average per month at June 30, 2009 | \$1,283 average per month at June 30, 2008 |
| Cost of living adjustment | None assumed | None assumed |
| Salary increases | None assumed | None assumed |

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements - Continued

June 30, 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated pension plan benefits.

Actuarial Present Value of Other Post-Retirement Obligations

Other post-retirement benefit obligations represent the actuarial present value of those estimated future health, dental and subsistence benefits that are attributed to clergy service rendered through the financial statement date.

Prior to an active clergy's full eligibility date, the post-retirement benefit obligation is the portion of the expected post-retirement benefit obligation that is attributed to that clergy's service rendered to the valuation date.

The actuarial present value of the expected post-retirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes, a 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2009 (8.5% in 2008); the ultimate trend rate was assumed to decrease to 5.0% by 2015 for 2009 and 2008.

The following were other significant assumptions used in the valuation as of June 30, 2009 and 2008:

| | <u>2009</u> | <u>2008</u> |
|-------------------|-----------------------------------------------------------------------------------|--------------------------------------------------------------------------|
| Investment return | 6.45% | 6.5% |
| Retirement age | 72 | 72 |
| Mortality | RP 2000 Combined Healthy No Collar Projection 2020 Mortality Table | RP 2000 Combined Healthy No Collar Projection 2020 Mortality Table |

The foregoing assumptions are based on the presumption that the Plan will continue. If the Plan was to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of other post-retirement benefit obligations.

Accounting 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 the reported amounts and disclosures of assets, liabilities, benefit obligations and changes therein. Actual results could differ from those estimates.

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements - Continued

June 30, 2009

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to current year presentation.

NOTE C - INVESTMENTS

Investments consist of the following at June 30:

| | <u>2009</u> | <u>2008</u> |
|-----------------------------------|---------------------|----------------------|
| Collective Investment Partnership | \$ - | \$ 30,760,206 |
| Common Investment Fund | 398,409 | 468,505 |
| Fixed Income Investment Fund | <u>800,340</u> | <u>805,466</u> |
| | <u>\$ 1,198,749</u> | <u>\$ 32,034,177</u> |

During the reporting periods, the Plan's investments (including investments bought, sold as well as held during the year) (depreciated) appreciated in value as follows:

| | <u>Year ended June 30</u> | | |
|-----------------------------------|---------------------------|-----------------------|---------------------|
| | <u>2009</u> | <u>2008</u> | <u>2007</u> |
| Collective Investment Partnership | \$ (5,402,573) | \$ (2,284,180) | \$ 5,367,682 |
| Common Investment Fund | (69,021) | (51,573) | 15,375 |
| Fixed Income Investment Fund | <u>1,187</u> | <u>(181,370)</u> | <u>(19,477)</u> |
| | <u>\$ (5,470,407)</u> | <u>\$ (2,517,123)</u> | <u>\$ 5,363,580</u> |

The RCAB Collective Investment Partnership is an investment fund whose assets consist primarily of equity and fixed-income securities, investment grade debt and private investment entities. The Plan is a partner in the Partnership, along with other partners who are related organizations within the Archdiocese of Boston. The Plan liquidated its investment in the Partnership to address cash flow concerns related to increasing monthly retirement costs.

The Common Investment Fund (a partner in the RCAB Collective Investment Partnership) and Fixed Income Investment Fund are separate entities established to provide a common investment pool in which Catholic organizations may participate. Dividend income from these investments totaled \$27,369, \$49,082, and \$35,479 during the years ended June 30, 2009, 2008, and 2007 respectively.

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements - Continued

June 30, 2009

NOTE D - PROPERTY

Property consists of the following at June 30:

| | <u>2009</u> | <u>2008</u> |
|----------------------------------------------|----------------------|----------------------|
| Land | \$ 4,036,578 | \$ 4,036,578 |
| Land improvements | 529,925 | 529,925 |
| Building | 10,551,225 | 10,464,324 |
| Building improvements | <u>1,903,727</u> | <u>1,990,627</u> |
| | 17,021,455 | 17,021,454 |
| Less accumulated provisions for depreciation | <u>2,559,521</u> | <u>2,227,679</u> |
| | <u>\$ 14,461,934</u> | <u>\$ 14,793,775</u> |

Depreciation expense for the years ended June 30, 2009, 2008 and 2007 was \$331,842, \$325,513 and \$323,798, respectively.

At June 30, 2009, property consists of a retirement home for retired priests located in Boston, Massachusetts, which is leased to and operated by Regina Cleri, Incorporated (note G).

NOTE E - FINANCIAL STATUS OF PLAN

A summary of the financial status of the Plan is as follows at June 30:

| | <u>2009</u> | <u>2008</u> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------|
| Actuarial present value of: | | |
| Accumulated retirement pension benefits | \$ 83,044,827 | \$ 118,046,644 |
| Post-retirement medical benefits | <u>41,828,352</u> | <u>44,137,221</u> |
| | 124,873,179 | 162,183,865 |
| Net assets available for benefits | <u>29,918,911</u> | <u>45,938,114</u> |
| Excess of actuarial present value of accumulated pension Plan benefits and other post-retirement benefit obligations over net assets available for benefits | <u>\$ 94,954,268</u> | <u>\$ 116,245,751</u> |

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements - Continued

June 30, 2009

NOTE F - PLAN TERMINATION

The Trustees may completely or partially amend or terminate the Plan at any time after consulting the Trustee's Advisory Committee. Although it has not expressed any intention to do so, in the event that the Plan terminates, its funds are not to revert to the participating employers or to be used for any purpose other than the exclusive benefit of the participants and their beneficiaries.

Any excess funds remaining after all liabilities are satisfied would be distributed among eligible participants in an equitable manner as determined by the Trustees.

Refer to note B for additional disclosure of a recent plan amendment.

NOTE G - RELATED PARTY TRANSACTIONS

Deferred Lease Income, Regina Cleri Incorporated

In July of 1999, the Plan purchased retirement homes and land for \$16.2 million from Regina Cleri, Incorporated, a related organization, that operates a retirement home for priests. The purchase was financed by the assumption of Regina Cleri, Incorporated's debt approximating \$10.5 million, and by executing a leaseback agreement with Regina Cleri, Incorporated for 20 years, which was valued at \$5.7 million. Simultaneous with the transaction, the Plan paid the \$10.5 million of debt it had assumed. Under the leaseback agreement Regina Cleri, Incorporated continues to operate the retirement home for priests.

The net present value of the leaseback agreement was recorded as deferred lease income and is being amortized into income over the 20-year term of the agreement.

Future lease income, by year, along with the related net present value at June 30, 2009 is as follows:

| <u>Year ending</u> <u>June 30</u> | |
|-----------------------------------------------------|---------------------|
| 2010 | \$ 500,000 |
| 2011 | 500,000 |
| 2012 | 500,000 |
| 2013 | 500,000 |
| 2014 | 500,000 |
| Later years | <u>2,708,333</u> |
| | 5,208,333 |
| Less amounts representing interest | <u>1,412,100</u> |
| Present value of lease obligations at June 30, 2009 | <u>\$ 3,796,233</u> |

Rental income under the leaseback agreement totaled \$500,000 in 2009, 2008 and 2007. Interest expense imputed on the lease obligation was \$251,240 in 2009, \$266,597 in 2008 and \$281,006 in 2007.

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements - Continued

June 30, 2009

NOTE G - RELATED PARTY TRANSACTIONS - Continued

Service Fees to Corporation Sole

A service fee for administrative, technology and clerical services is charged to the Plan by the Roman Catholic Archbishop of Boston, A Corporation Sole. The fees charged for the years ended June 30, 2009, 2008 and 2007 were approximately \$112,800, \$65,100 and \$136,400 respectively.

Health Insurance

The Plan is assessed by the Archdiocese of Boston Clergy Medical/Hospitalization Plan for priests whose medical and hospitalization benefits are covered under this Plan. These health insurance expenses are reported as deductions on the accompanying statements of changes in net assets available for benefits. Such expenses totaled \$1,833,975, \$1,854,165 and \$1,788,345 for the years ended June 30, 2009, 2008 and 2007, respectively.

Transfer from Related Trust

During the years ended 2008 and 2007, the Plan received \$3.5 and \$7.75 million, respectively in unrestricted funds from the Archdiocese of Boston Clergy Benefit Trust, a related trust, to assist in funding the Plan's obligations. There were no transfers made in 2009.

NOTE H - FAIR VALUE MEASUREMENTS

The Plan adopted Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*" (SFAS 157) effective July 1, 2008. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs and assumptions used to measure fair value, giving the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under SFAS 157 are described below:

Level 1 – Valuations based on quoted prices available in active markets for identical assets and liabilities.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable either directly or indirectly for the asset or liability.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement for the asset or liability.

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 methods used for valuing the assets and liabilities are not necessarily an indication of the risks associated with those assets.

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements - Continued

June 30, 2009

NOTE H - FAIR VALUE MEASUREMENTS - Continued***Investments***

The Plan invests in the Common Investment Fund and the Fixed Income Fund which do not have quoted prices in active markets or significant other observable inputs that have quoted market prices. The Plan estimates the fair value of its unit holdings in the Common Investment Fund and Fixed Income Fund based on the Plan's share of the underlying investment portfolio that consists of actively traded equities, bonds and money market funds, as well as private investment entities. The Plan can redeem its investment in the Common Investment Fund and the Fixed Income Fund at the net asset value per share at June 30, 2009. These investments are classified as being valued based on Level 2 inputs under the fair value hierarchy following ASC 820.

The Plan's financial assets that are accounted for at fair value on a recurring basis as of June 30, 2009 by level within the fair value hierarchy are presented in the table below. Financial assets and liabilities measured at fair value on a non-recurring basis are excluded from the table.

| Assets | Quoted prices in active markets for identical assets Level 1 | Significant other observable inputs Level 2 | Significant unobservable inputs Level 3 | Balance as of June 30, 2009 |
|---------------------|-------------------------------------------------------------------------------------|--------------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------|
| Investments | \$ - | \$ 1,198,749 | \$ - | \$ 1,198,749 |
| Total Assets | \$ - | \$ 1,198,749 | \$ - | \$ 1,198,749 |

NOTE I - FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

The Plan's financial instruments that are potentially subject to concentrations of credit risk consist of cash, cash equivalents, and investments. The Plan's investments consist principally of investments in the RCAB Collective Investment Partnership, Common Investment Fund, Roman Catholic Archbishop of Boston and Fixed Income Investment Fund, Roman Catholic Archbishop of Boston, A Corporation Sole, as disclosed in note C.

NOTE J - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities (see note C). Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated pension plan benefits and other post-retirement benefit obligations are reported based on certain assumptions pertaining to interest rates, inflation rates, health care inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would affect the financial statements.

ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN

Notes to Financial Statements - Continued

June 30, 2009

NOTE K - REPORTING AND DISCLOSURE BY ROMAN CATHOLIC ARCHBISHOP OF BOSTON, A CORPORATION SOLE

The accounting and financial disclosures within this report for the Archdiocese of Boston Clergy Retirement/Disability Plan are prepared under the provisions of Statement of Financial Accounting Standards No. 35, "Accounting and Reporting by Defined Benefit Pension Plans". The primary objective of the Plan's financial statement is to provide financial information that is useful in assessing the Plan's present and future ability to pay benefits when due.

This Plan is the retirement vehicle for the priests assigned to the Roman Catholic Archdiocese of Boston. Accordingly, the financial reporting of the Roman Catholic Archbishop of Boston, A Corporation Sole, as the employer of these priests, includes corresponding accounting and financial disclosures relating to pension and other post-retirement benefits.

The primary objective of the employers' financial disclosure is to provide information about plan assets, obligations, cash flow and net cost to assist readers in assessing the market risk of the plan, the amount and timing of cash flows, and reported financial results of the employer.

Due to the fact that the accounting pronouncements and objectives of financial reporting are different for the Plan and the employer, there can be significant differences between the benefit obligations shown in the Plan's financial statements and the benefit obligation amount reported in the employer's financial statements.

NOTE L - SUBSEQUENT EVENTS

The Trustee of the Plan is considering changes to certain aspects of the Plan related to the structure of the Trust assets. At this time, no final decisions have been reached.

The Plan adopted FAS No. 165, "Subsequent Events" (FAS 165) as of June 30, 2009. FAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In connection with the preparation of these financial statements, the Plan, has evaluated events and transactions through April 22, 2010, which is the date the financial statements were available for issuance.