

Combined Financial Statements and Report of
Independent Certified Public Accountants

Archdiocese of Boston Clergy Funds

- **Clergy Medical/Hospitalization Plan and Trust**
- **Clergy Retirement/Disability Plan and Trust**
- **Clergy Benefit Funding Trust**

June 30, 2010

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Report of Independent Certified Public Accountants

To the Trustee
Archdiocese of Boston Funds

We have audited the accompanying combined statements of net assets available for benefits and of accumulated plan benefits of the Archdiocese of Boston Clergy Funds (the Funds) as of June 30, 2010 and 2009, and the related combined statements of changes in net assets available for benefits and of changes in accumulated plan benefits for the years then ended. These combined financial statements are the responsibility of the Plan'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 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 combined 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 Plan'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial status of the Archdiocese of Boston Clergy Funds as of June 30, 2010 and 2009, and the changes in its combined financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Boston, Massachusetts

November 23, 2010

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Combined Statements of Net Assets Available for Benefits

June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Investments, at fair value (notes D and H)	\$ 8,274,515	\$ 2,433,619
Cash and cash equivalents	14,862,904	23,999,008
Participating entities receivable, net (note E)	10,000	82,193
Accounts receivable, Medicare	150,000	67,355
Accounts receivable, other	400,738	415,029
Land and buildings, net (notes C and F)	14,121,259	14,461,934
Prepaid expenses	-	9,000
	<u>37,819,416</u>	<u>41,468,138</u>
LIABILITIES		
Accounts payable and accrued expenses	177,406	322,300
Deferred revenue	-	15,000
Deferred lease income (note G)	3,531,105	3,796,233
	<u>3,708,511</u>	<u>4,133,533</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 34,110,905</u>	<u>\$ 37,334,605</u>

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

ARCHDIOCESE OF BOSTON CLERGY FUNDSCombined Statements of Changes in Net Assets Available for Benefits
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ADDITIONS		
Assessments to participating entities	4,917,824	4,397,169
Collections from parishes	7,342,911	6,785,177
Gifts and bequests	1,586,428	605,733
Special event dinner, net of \$254,328 costs	405,444	-
Rental income (note G)	500,000	500,000
Medicare reimbursement	100,000	67,355
Interest and dividends	69,213	118,601
Net realized and unrealized gains (losses) on investments	318,043	(5,547,497)
Miscellaneous income	38,961	87,395
	<u>15,278,824</u>	<u>7,013,933</u>
DEDUCTIONS		
Benefits:		
Medical claims paid	6,540,446	6,237,430
Unassigned and health leave benefits	411,388	453,303
Medex benefits	190,013	186,725
Room and board	4,178,069	5,117,904
Retirement benefits	3,690,712	3,902,998
Disability benefits	109,327	188,853
Other expenses	11,019	147,582
	<u>15,130,974</u>	<u>16,234,795</u>
Administration:		
Salaries and benefits	336,475	136,930
Service fees (note G)	355,854	286,574
Contract services	284,153	138,542
Plan administrator	224,045	206,513
Professional fees	272,352	230,764
Fundraising expense	202,896	244,000
Interest expense (note G)	234,872	251,240
Depreciation expense (note F)	340,675	331,842
Other administrative expenses	45,228	65,169
	<u>2,296,550</u>	<u>1,891,574</u>
Total deductions	<u>17,427,524</u>	<u>18,126,369</u>
NET DECREASE	(2,148,700)	(11,112,436)
NET ASSETS AVAILABLE FOR BENEFITS:		
BEGINNING OF YEAR	37,334,605	48,672,041
Net asset transfer to Archdiocese of Boston Non-Incardinated Trust (note G)	<u>(1,075,000)</u>	<u>(225,000)</u>
END OF YEAR	\$ <u>34,110,905</u>	\$ <u>37,334,605</u>

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

ARCHDIOCESE OF BOSTON CLERGY FUNDS
 Combined Statements of Accumulated Plan Benefits
 June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ACCUMULATED PLAN BENEFIT OBLIGATIONS:		
ACTUARIAL PRESENT VALUE OF ACCUMULATED RETIREMENT PLAN BENEFITS		
Retired and disabled participants currently receiving retirement benefits	\$ 46,635,360	\$ 51,147,451
Active participants	<u>35,079,215</u>	<u>31,897,376</u>
TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED RETIREMENT PLAN BENEFITS	<u>81,714,575</u>	<u>83,044,827</u>
ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS		
Retired and disabled participants currently receiving health, dental and subsistence benefits	19,451,263	20,077,342
Active participants	<u>24,836,971</u>	<u>21,751,010</u>
TOTAL ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS	<u>44,288,234</u>	<u>41,828,352</u>
RESERVE FOR HEALTH INSURANCE CLAIMS		
Claims payable and claims incurred but not reported for retired participants	141,776	163,246
Claims payable and claims incurred but not reported for active participants	<u>502,662</u>	<u>578,782</u>
TOTAL RESERVE FOR HEALTH INSURANCE CLAIMS	<u>644,438</u>	<u>742,028</u>
TOTAL ACCUMULATED PLAN BENEFIT OBLIGATIONS	<u>\$ 126,647,247</u>	<u>\$ 125,615,207</u>

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

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Combined Statements of Changes in Accumulated Plan Benefits
For the year ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ACCUMULATED PLAN BENEFIT OBLIGATIONS AT THE BEGINNING OF YEAR	\$ 125,615,207	\$ 162,976,694
CHANGES IN ACCUMULATED PENSION PLAN BENEFITS		
Actuarial present value of accumulated pension plan benefits at beginning of year	<u>83,044,827</u>	<u>118,046,644</u>
Decrease during the year attributable to:		
Benefits settled, net	(598,931)	(4,713,988)
Increase for interest due to the decrease in the discount period	4,942,389	7,447,607
Benefits paid	(7,840,933)	(8,968,479)
Changes in plan provisions (note B)	-	(21,092,699)
Changes in assumptions (note B)	<u>2,167,223</u>	<u>(7,674,258)</u>
Net decrease	<u>(1,330,252)</u>	<u>(35,001,817)</u>
Actuarial present value of accumulated pension plan benefits at end of year	<u>81,714,575</u>	<u>83,044,827</u>
CHANGES IN OTHER POST-RETIREMENT BENEFIT OBLIGATIONS		
Actuarial present value of other post-retirement benefit obligations at beginning of year	<u>41,828,352</u>	<u>44,137,221</u>
Increase (decrease) during the year attributable to:		
Benefits settled, net	(139,072)	(1,278,565)
Increase for interest due to the decrease in the discount period	2,679,285	2,867,844
Benefits paid	(1,267,201)	(1,833,975)
Changes in assumptions (note B)	<u>1,186,870</u>	<u>(2,064,173)</u>
Net increase (decrease)	<u>2,459,882</u>	<u>(2,308,869)</u>
Actuarial present value of other post-retirement benefit obligations at end of year	<u>44,288,234</u>	<u>41,828,352</u>
CHANGES IN RESERVE FOR HEALTH INSURANCE CLAIMS		
Reserve for health insurance claims at beginning of year	<u>742,028</u>	<u>792,829</u>
Increase (decrease) during the year attributable to:		
Claims reported and approved and claims incurred but not yet reported	6,442,856	6,186,629
Claims paid	(6,540,446)	(6,237,430)
Net decrease	<u>(97,590)</u>	<u>(50,801)</u>
Reserve for health insurance claims at end of year	<u>644,438</u>	<u>742,028</u>
ACCUMULATED PLAN BENEFITS AT THE END OF YEAR	\$ <u>126,647,247</u>	\$ <u>125,615,207</u>

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

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements

June 30, 2010 and 2009

NOTE A – NATURE OF ORGANIZATION

The Archdiocese of Boston Clergy Funds (the “Clergy Funds”) represents collectively all funds, plans and trusts, as they may exist from time to time, that provide for the health, welfare, disability, and retirement of priests incardinated in the Roman Catholic Archdiocese of Boston who are in good standing within the norms of canon law (“Eligible Priests”). At June 30, 2010 and 2009, the Clergy Funds include the financial position and activities of the Clergy Benefit Funding Trust (the “Funding Trust”), the Clergy Retirement/Disability Plan and Trust (the “Retirement Plan”), and the Clergy Medical/Hospitalization Plan and Trust (the “Medical Plan”). The Clergy Funds was established for the purpose of generating and providing support for the benefit of Eligible Priests incardinated in the Roman Catholic Archdiocese of Boston, as directed by the Roman Catholic Archbishop of Boston. The Clergy Funds is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Effective July 1, 2010, the Clergy Funds Board of Trustees adopted new trust agreements for the Funding Trust, Medical Plan and Retirement Plan. These new trust agreements continue the provisions of the existing plans and trusts with added clarification of benefits and provisions.

The Archbishop of Boston, by virtue of his office, is responsible for providing for health, welfare, disability and retirement of Eligible Priests. He also appoints the Board of Trustees of the Clergy Funds in addition to serving as Chairman to numerous separately incorporated Catholic organizations that operate within the Archdiocese of Boston. These organizations are considered to be related organizations.

The Board of Trustees assists the Archbishop of Boston in his responsibilities to Eligible Priests by administering the Clergy Funds. The Trustees are authorized and empowered to manage the assets of and benefits provided by the Clergy Funds as deemed necessary.

NOTE B - DESCRIPTION OF THE CLERGY FUNDS

The following brief description of the Clergy Funds is provided for general information purposes only. Participants should refer to each plan agreement for more complete information.

Funding and Benefits

The Clergy Funds primary source of funding benefits is from contributions, principally from special collections from parishes in the Archdiocese of Boston and health assessments to parishes and other catholic organizations within the Archdiocese of Boston. As collections are received from the parishes, they are held in the Funding Trust. Funds are transferred to the Medical Plan and the Retirement Plan at the discretion of the Trustee.

The Medical Plan was established to provide substantially all medical and/or hospitalization coverage to Eligible Priests.

Established on July 1, 1974, the Retirement Plan is a noncontributory defined benefit pension plan covering Eligible Priests that provides retirement benefits. Although the Archbishop of Boston has not expressed any intention to do so, in the event that the Clergy Funds 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 Eligible Priests.

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued

June 30, 2010 and 2009

NOTE B - DESCRIPTION OF THE CLERGY FUNDS - Continued

The primary benefits provided by the Funding Trust relate to funding of the Medical Plan and the Retirement Plan. The Funding Trust pays substantially all benefits for Eligible Priests who are currently on health leave and waiting assignment. Additional benefits include support for the well being of Eligible Priests at the discretion of the Trustee.

Health Assessments

The Medical Plan charges assessments to parishes and related catholic organizations for medical and hospitalization coverage of Eligible Priests who are assigned. The annual assessments are calculated based on the expected claims and the total number of priests. From time to time, the Medical Plan also receives funding from the Funding Trust to cover expenses that exceed assessments received.

Retirement Benefits

The monthly retirement benefit 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 80% of the total cost of a nursing home or the cost of an assisted-living facility. 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 retirement benefit.

Other Post-Retirement Benefits

Other post-retirement benefits include health, dental and subsistence benefits.

Changes in Assumptions

Retirement and Other Post-Retirement Benefits

The discount rate assumptions related to pension and to other post-retirement payments were updated to reflect current yields on investment grade corporate bonds and the anticipated timing of future benefit payments.

During fiscal year 2010 the retirement mortality assumption was changed to reflect the IRS Static Tables, which is updated annually to reflect an additional year of projected mortality improvement. Since the passage of the Pension Protection Act of 2006, these tables have become a prevalent mortality assumption for retirement plan valuations in the United States. For the 2010 IRS Static Tables, mortality for active employees and retirees is based on RP 2000 mortality tables with mortality improvements projected to 2025 for active and 2017 for retired employees. The fiscal year 2009 assumption was an RP 2000 mortality table, with a projection of mortality improvement to 2020.

The effects of the change in assumptions are reflected in the accompanying financial statements for the year ended June 30, 2010.

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued
June 30, 2010 and 2009

NOTE B - DESCRIPTION OF THE CLERGY FUNDS - Continued

Change in Retirement Plan Provisions

Retirement and Other Post-Retirement Benefits

The Clergy Funds introduced policy changes to address the aging priest population and related increased medical costs. The Clergy Funds implemented a new Housing Policy which outlines the general retirement pension payable to a retired priest based on residence. During fiscal 2009 the amendment resulted in a \$21 million decrease in plan provisions which is included in the changes in accumulated pension plan benefits in the combined statement of changes in accumulated plan benefit obligations for the year ended June 30, 2009.

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 decrease in plan assumptions which is included in the changes in accumulated pension plan benefits in the combined statement of changes in accumulated plan benefit obligations for the year ended June 30, 2009.

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Clergy Funds are described below:

Basis of Accounting

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

Investments

Investments are carried at fair value. Changes in fair values are reflected in the combined statements of changes in net assets available for benefits as net realized and unrealized gains (losses) on investments. Investment transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

Investments represent holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston (the "Common Investment Fund") and the Fixed Income Fund, Roman Catholic Archbishop of Boston (the "Fixed Income Fund"). Both are related organizations established to provide a common investment pools in which catholic organizations in the Archdiocese of Boston participate. The participants own units based upon a per-unit value at the time of purchase.

The Common Investment Fund invests all of its funds in the Roman Catholic Archbishop of Boston Collective Investment Partnership, (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 Clergy Funds was a partner in the Partnership, along with other partners who are related organizations within the Archdiocese of Boston. The Clergy Funds liquidated its investment in the Partnership to address cash flow concerns related to increasing monthly retirement costs during the year ended June 30, 2009.

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued

June 30, 2010 and 2009

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

Clergy Funds 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, 2010, the excess was \$5,757,509 based on bank balances. Clergy Funds has not experienced any losses as a result of uninsured amounts.

Participating Entities Receivable

Participating entities receivables are for health assessments to the related parties for assigned Eligible Priests and are stated net of an allowance for uncollectible accounts. The allowance is established via a provision for uncollectible assessments charged to operations. Management evaluates its assessments receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible. Accounts are charged against the allowance when management believes that the collectability of the specific account is unlikely.

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.

On June 30, 2010, these assets were transferred from the Retirement Plan to the Funding Trust for greater flexibility in the manner of funding retirement and health benefits of the Clergy Funds.

Reserve for Health Insurance Claims

Reserve for health insurance claims consist of medical and dental claims payable for benefits provided to Eligible Priests. Obligations for health claims incurred by Eligible Priests but not reported are estimated by management based on historical experience.

Collections from Parishes

Collections from parishes are recognized in the statement of changes in net assets available for benefits as parishes receive the contributions.

Gifts, Bequests and Contributions

Unconditional promises to give are reported at fair value on the date the promise is verifiably committed. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. 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. The discounts on those amounts are computed using a risk adjusted interest rate based on the number of years over which the contributions are expected to be received. Amortization of discounts is classified in contributions revenue. Unconditional promises to give are reported as contributions receivable. Conditional promises to give are not included as support until the conditions are substantially met. There were no conditional promises to give at June 30, 2010 and 2009.

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued

June 30, 2010 and 2009

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Fundraising

During the years ended June 30, 2010 and 2009, the Funding Trust incurred \$439,761 and \$244,000, respectively in fundraising expense as part of an initiative to increase contributions and collections.

Actuarial Present Value of Accumulated Retirement Plan Benefits

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

The actuarial present value of accumulated retirement plan benefits is determined by an actuary, and is the amount that results from applying actuarial assumptions to adjust the accumulated retirement 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 are as follows at June 30:

	<u>2010</u>	<u>2009</u>
Discount rate	5.4%	6.2%
Mortality before and after retirement	2010 IRS Static Mortality Tables	RP 2000 Combined Healthy No Collar Projection 2020 Mortality Table
Retirement age	72	72
Asset valuation	Market value	Market value
Retirement benefit	\$1,240 average per month	\$1,266 average per month
Cost of living adjustment	None assumed	None assumed
Salary increases	N/A	N/A

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

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued

June 30, 2010 and 2009

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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, an 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2010 and 2009; the ultimate trend rate was assumed to decrease to 5.0% by 2015 for 2010 and 2009.

The following were other significant assumptions used in the valuation as of June 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Discount rate	5.80%	6.45%
Retirement age	72	72
Mortality	2010 IRS Static Mortality Tables	RP 2000 Combined Healthy No Collar Projection 2020 Mortality Table
Effect of 1% increase in healthcare cost trend rate	578,000	541,000
Effect of 1% decrease in healthcare cost trend rate	(465,000)	(441,000)

The foregoing actuarial assumptions are based on the presumption that the Retirement Plan will continue. If the Retirement 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.

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued

June 30, 2010 and 2009

NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes

The Clergy Funds is included in the annual United States Conference of Catholic Bishops Internal Revenue Service Group Ruling and is therefore exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. In fiscal year 2010, the Clergy Funds adopted guidance recognizing the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Clergy Funds' management has reviewed the tax positions for open periods and determined that no provision for income tax is required in the Clergy Funds' financial statements.

Use of 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 during the reported period. Actual results could differ from those estimates. As discussed above, key estimates include the allowance for uncollectible assessments, health claims incurred by participants but not yet reported, and accumulated pension plan benefits and other post retirement benefits.

Reclassifications

Certain reclassifications have been made to the 2009 financial statements to conform to the current year presentation.

NOTE D - INVESTMENTS

Investments consist of the following at June 30:

	<u>2010</u>	<u>2009</u>
Common Investment Fund	918,154	850,100
Fixed Income Fund	<u>7,356,361</u>	<u>1,583,519</u>
	<u>\$ 8,274,515</u>	<u>\$ 2,433,619</u>

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued

June 30, 2010 and 2009

NOTE D – INVESTMENTS - Continued

During the reporting periods, the Clergy Funds investments appreciated (depreciated) in value as follows:

	Year ended June 30	
	2010	2009
Collective Investment Partnership	-	(5,402,573)
Common Investment Fund	66,191	(147,273)
Fixed Income Fund	251,852	2,349
	<u>\$ 318,043</u>	<u>\$ (5,547,497)</u>

NOTE E - PARTICIPATING ENTITIES RECEIVABLE

Participating entities receivable consist of the following at June 30:

	2010	2009
Assessments Receivable	\$ 49,047	\$ 205,963
Less Allowance for Uncollectibles	<u>(39,047)</u>	<u>(123,770)</u>
	<u>\$ 10,000</u>	<u>\$ 82,193</u>

NOTE F – LAND AND BUILDINGS

Land and buildings consists of the following at June 30:

	2010	2009
Land	\$ 4,036,578	\$ 4,036,578
Land improvements	529,925	529,925
Building	10,551,225	10,551,225
Building improvements	1,903,727	1,903,727
	<u>17,021,455</u>	<u>17,021,455</u>
Less accumulated depreciation	<u>2,900,196</u>	<u>2,559,521</u>
	<u>\$ 14,121,259</u>	<u>\$ 14,461,934</u>

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued

June 30, 2010 and 2009

NOTE G - RELATED PARTY TRANSACTIONS

Deferred Lease Income, Regina Cleri Incorporated

In July 1999, the Clergy Funds purchased retirement homes and land for \$16.2 million from Regina Cleri, Incorporated, a related organization, which operates a retirement home for priests. The purchase was financed by the assumption of Regina Cleri, Incorporated's debt of \$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, Clergy Funds retired 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, 2010 is as follows:

<u>Year ending</u> <u>June 30</u>	
2011	\$ 500,000
2012	500,000
2013	500,000
2014	500,000
2015	500,000
Later years	<u>2,208,333</u>
	4,708,333
Less amounts representing interest	<u>1,177,228</u>
Present value of deferred lease income at June 30, 2010	<u>\$ 3,531,105</u>

Rental income under the leaseback agreement totaled \$500,000 for each of the years ended June 30, 2010 and 2009. Interest expense imputed on the lease obligation was \$234,872 and \$251,240 for the year ended June 30, 2010 and 2009, respectively.

Service Fees

A service fee based on the level of efforts provided for administrative, technology and clerical services is charged to the Clergy Funds by the Roman Catholic Archbishop of Boston, A Corporation Sole ("Corporation Sole"). The fees charged for the years ended June 30, 2010 and 2009 were \$355,854 and \$286,574, respectively.

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued

June 30, 2010 and 2009

NOTE G - RELATED PARTY TRANSACTIONS - Continued

Transfer to Non-Incardinated Trust

During the year ended June 30, 2010 and 2009, the Clergy Funds Trustee authorized the transfer of \$1,075,000 and \$225,000, respectively, to the Archdiocese of Boston Benefit Trust for Non-Incardinated Priests Duly Assigned for Service in the Archdiocese of Boston, a related plan to fund the future pension obligations of non-incardinated priests duly assigned for service in the Archdiocese of Boston.

Effective with the Clergy Funds July 1, 2010 new trust agreements, it is not expected that there will be further transfers of funds to support the Non-Incardinated Trust.

NOTE H - FAIR VALUE MEASUREMENTS

The Clergy Funds measures the fair values of assets and liabilities as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy is used to prioritize the inputs to valuation techniques used to measure fair value. The Clergy Funds classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

The Clergy Funds adopted amended guidance on fair value measurements in its June 30, 2009 financial statements and expanded disclosure requirements in its June 30, 2010 financial statements. The new guidance effects how the Clergy Funds measures the fair value of investments in certain entities that do not have a quoted market price, but calculate net asset value (NAV) per share or its equivalent. As a practical expedient, the amendments permit, but do not require, the Clergy Funds to measure the fair value of an investment in an investee within the scope of the amendments based on the investee's NAV per share or its equivalent. The Clergy Funds records its investments at the net asset value per unit on the date of the valuation. The adoption did not have an impact on the fair value determination of the Clergy Funds' investments. The Clergy Funds' investments of \$8,274,515 and \$2,433,619 at June 30, 2010 and 2009, respectively, are classified as Level 2 in the fair value hierarchy.

In accordance with terms of the agreement with the Common Investment Fund, Clergy Funds may purchase or redeem shares on the opening of business on the first day of a calendar quarter units in the Fund at the net asset value at the close of business on the immediately preceding business day.

NOTE I - FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK

The Clergy Funds' financial instruments that are potentially subject to concentrations of credit risk consist of cash, cash equivalents (note C), and investments.

The Clergy Funds invests in related investment funds (see note D). Investments are exposed to various risks such as interest rate, market, and credit risks.

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued

June 30, 2010 and 2009

NOTE I - FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK - Continued

Plan contributions are made and the actuarial present value of accumulated retirement 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.

NOTE J - REPORTING AND DISCLOSURE BY CORPORATION SOLE

The accounting and financial disclosures within this report for the Clergy Funds are prepared under the provisions of Accounting and Reporting by Defined Benefit Pension Plans and Health and Welfare Plans. The primary objective of the Clergy Funds financial statement is to provide financial information that is useful in assessing the Clergy Funds present and future ability to pay benefits when due.

This Clergy Funds is the retirement vehicle for the priests assigned to the Roman Catholic Archdiocese of Boston. Accordingly, the financial reporting of Corporation Sole as the employer of these priests, includes corresponding accounting and financial disclosures relating to the Clergy Funds' retirement 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 Clergy Funds, the amount and timing of cash flows, and reported financial results of the Corporation Sole.

NOTE K - SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 23, 2010, which is the date the financial statements were available to be issued. There were no subsequent events that would require recognition or additional disclosure in the Plan's financial statements.

SUPPLEMENTAL INFORMATION



Independent Auditors' Report

To the Trustee
Archdiocese of Boston Funds

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining statements of net assets available for benefits for the years ended June 30, 2010 and 2009 and the related combining statements of changes in net assets available for benefits for the years then ended is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Boston, Massachusetts
November 23, 2010

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ARCHDIOCESE OF BOSTON CLERGY FUNDS
Combining Statements of Net Assets Available for Benefits
June 30, 2010

	<u>MEDICAL PLAN</u>	<u>RETIREMENT PLAN</u>	<u>FUNDING TRUST</u>	<u>TOTAL CLERGY FUNDS</u>
ASSETS				
Investments, at fair value	\$ -	\$ 6,904,085	\$ 1,370,430	\$ 8,274,515
Cash and cash equivalents	1,015,106	1,267,908	12,579,890	14,862,904
Participating entities receivable, net	10,000	-	-	10,000
Accounts receivable, Medicare	150,000	-	-	150,000
Accounts receivable, other	-	64,775	335,963	400,738
Land and buildings, net	-	-	14,121,259	14,121,259
Due from/(to) related organizations	-	189,156	(189,156)	-
Total assets	<u>1,175,106</u>	<u>8,425,924</u>	<u>28,218,386</u>	<u>37,819,416</u>
<u>LIABILITIES</u>				
Accounts payable and accrued expenses	-	126,520	50,886	177,406
Deferred lease income	-	-	3,531,105	3,531,105
Total liabilities	<u>-</u>	<u>126,520</u>	<u>3,581,991</u>	<u>3,708,511</u>
NET ASSETS AVAILABLE FOR BENEFITS	\$ <u>1,175,106</u>	\$ <u>8,299,404</u>	\$ <u>24,636,395</u>	\$ <u>34,110,905</u>

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Combining Statements of Net Assets Available for Benefits

June 30, 2009

	<u>MEDICAL PLAN</u>	<u>RETIREMENT PLAN</u>	<u>FUNDING TRUST</u>	<u>TOTAL CLERGY FUNDS</u>
ASSETS				
Investments, at fair value	\$ -	\$ 1,198,749	\$ 1,234,870	\$ 2,433,619
Cash and cash equivalents	108,354	18,249,092	5,641,562	23,999,008
Participating entities receivable, net	82,193	-	-	82,193
Accounts receivable, Medicare	67,355	-	-	67,355
Accounts receivable, other	44,004	-	371,025	415,029
Land and buildings, net	-	14,461,934	-	14,461,934
Prepaid expenses	-	-	9,000	9,000
Total assets	<u>301,906</u>	<u>33,909,775</u>	<u>7,256,457</u>	<u>41,468,138</u>
LIABILITIES				
Accounts payable and accrued expenses	-	194,631	127,669	322,300
Deferred revenue	-	-	15,000	15,000
Deferred lease income	-	3,796,233	-	3,796,233
Total liabilities	<u>-</u>	<u>3,990,864</u>	<u>142,669</u>	<u>4,133,533</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 301,906</u>	<u>\$ 29,918,911</u>	<u>\$ 7,113,788</u>	<u>\$ 37,334,605</u>

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Combining Statements of Changes in Net Assets Available for Benefits
For the year ended June 30, 2010

	MEDICAL PLAN	RETIREMENT PLAN	FUNDING TRUST	TOTAL CLERGY FUNDS
ADDITIONS				
Assessments to participating entities	\$ 6,684,057	\$ (1,367,201)	\$ (399,032)	\$ 4,917,824
Collections from parishes	-	-	7,342,911	7,342,911
Gifts and bequests	26,456	1,298,766	261,206	1,586,428
Special event dinner, net of \$254,328 costs	-	-	405,444	405,444
Rental income	-	500,000	-	500,000
Interest and dividends	-	37,372	31,841	69,213
Net realized and unrealized gains on investments	-	183,473	134,570	318,043
Medicare reimbursement	100,000	-	-	100,000
Miscellaneous income	13,693	7,248	18,020	38,961
Total additions	6,824,206	659,658	7,794,960	15,278,824
DEDUCTIONS				
Benefits:				
Claims paid	6,540,446	-	-	6,540,446
Unassigned and health leave benefits	-	-	411,388	411,388
Medex benefits	-	-	190,013	190,013
Room and board	-	4,055,169	122,900	4,178,069
Retirement benefits	-	3,690,712	-	3,690,712
Disability benefits	-	109,327	-	109,327
Other expenses	(81,035)	-	92,054	11,019
	6,459,411	7,855,208	816,355	15,130,974
Administration:				
Salaries and benefits	121,187	50,495	164,793	336,475
Service fees	135,877	97,266	122,711	355,854
Contract services	-	-	284,153	284,153
Plan administrator	224,045	-	-	224,045
Professional fees	10,486	110,495	151,371	272,352
Fundraising expense	-	-	202,896	202,896
Interest expense	-	234,872	-	234,872
Depreciation expense	-	340,675	-	340,675
Other administrative expenses	-	-	45,228	45,228
	491,595	833,803	971,152	2,296,550
Total deductions	6,951,006	8,689,011	1,787,507	17,427,524
NET (DECREASE) INCREASE	(126,800)	(8,029,353)	6,007,453	(2,148,700)
NET ASSETS AVAILABLE FOR BENEFITS:				
BEGINNING OF YEAR	301,906	29,918,911	7,113,788	37,334,605
Net asset transfer from (to) related organizations	-	(10,590,154)	10,590,154	-
Net asset Funding (to)/from Clergy Benefit Trust (to) related organizations	1,000,000	(3,000,000)	2,000,000	-
Net asset transfer to Archdiocese of Boston Non-Incardinated Priests Duly Assigned for Service	-	-	(1,075,000)	(1,075,000)
END OF YEAR	\$ 1,175,106	\$ 8,299,404	\$ 24,636,395	\$ 34,110,905

ARCHDIOCESE OF BOSTON CLERGY FUNDS

Combining Statements of Changes in Benefit Obligations and Net Assets Available for Benefits
For the years ended June 30, 2009

	<u>MEDICAL PLAN</u>	<u>RETIREMENT PLAN</u>	<u>FUNDING TRUST</u>	<u>TOTAL CLERGY FUNDS</u>
ADDITIONS				
Assessments to participating entities	\$ 6,870,890	\$ (1,833,975)	\$ (639,746)	\$ 4,397,169
Collections from parishes	-	-	6,785,177	6,785,177
Gifts and bequests	4,676	477,828	123,229	605,733
Rental income	-	500,000	-	500,000
Medicare reimbursement	67,355	-	-	67,355
Interest and dividends	-	69,943	48,658	118,601
Net realized and unrealized (losses) on investments	-	(5,470,407)	(77,090)	(5,547,497)
Miscellaneous income	19,312	24,350	43,733	87,395
	<u>6,962,233</u>	<u>(6,232,261)</u>	<u>6,283,961</u>	<u>7,013,933</u>
DEDUCTIONS				
Benefits:				
Claims paid	6,237,430	-	-	6,237,430
Unassigned and health leave benefits	-	-	453,303	453,303
Medex benefits	-	-	186,725	186,725
Room and board	-	4,894,804	223,100	5,117,904
Retirement benefits	-	3,902,998	-	3,902,998
Disability benefits	-	188,853	-	188,853
Other expenses	1,182	350	146,050	147,582
	<u>6,238,612</u>	<u>8,987,005</u>	<u>1,009,178</u>	<u>16,234,795</u>
Administration:				
Salaries and benefits	82,158	34,232	20,540	136,930
Service fees	109,465	78,592	98,517	286,574
Contract services	-	-	138,542	138,542
Plan administrator	206,513	-	-	206,513
Professional fees	10,000	104,031	116,733	230,764
Fundraising expense	-	-	244,000	244,000
Interest expense	-	251,240	-	251,240
Depreciation expense	-	331,842	-	331,842
Other administrative expenses	-	-	65,169	65,169
	<u>408,136</u>	<u>799,937</u>	<u>683,501</u>	<u>1,891,574</u>
	<u>6,646,748</u>	<u>9,786,942</u>	<u>1,692,679</u>	<u>18,126,369</u>
NET (DECREASE) INCREASE	315,485	(16,019,203)	4,591,282	(11,112,436)
NET ASSETS AVAILABLE FOR BENEFITS:				
BEGINNING OF YEAR	<u>(113,579)</u>	<u>45,938,114</u>	<u>2,847,506</u>	<u>48,672,041</u>
Net asset Funding (to)/from Clergy Benefit Trust (to) related organizations	100,000	-	(100,000)	-
Net asset transfer to Archdiocese of Boston Non-Incardinated Priests Duly Assigned for Service	-	-	(225,000)	(225,000)
END OF YEAR	<u>\$ 301,906</u>	<u>\$ 29,918,911</u>	<u>\$ 7,113,788</u>	<u>\$ 37,334,605</u>