

*My Dear Friends in Christ,*

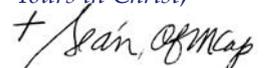
**T**oday marks a critical moment and a new beginning for our local Church. Last October, I made a commitment to financial transparency and accountability, promising to deliver a comprehensive financial report and fiscal recovery plan to the people of our Archdiocese and the general public. With the help of dedicated professionals who have volunteered countless hours to this project, I fulfill that promise today.

While the breadth of the financial information we have to share is substantial and much of it sobering, I also want to share an overview of our plan for rejuvenating this Archdiocese spiritually and financially. A primary goal in all of our planning is to move our programs and services closer to the parishes and the individuals we serve. During the time of Jesus' public ministry He sought to be as close as possible to the people He was teaching and helping; in His name we seek to do the same. Allow me to assure you that I invite and welcome each person in our Catholic family of faith to find a way to share yourself with others in this journey of faith.

For more than four years we as an Archdiocese have experienced much hurt, disappointment and sorrow resulting from the sexual abuse crisis and parish closings. Not a day goes by that we do not seek the forgiveness and prayers of those the Church has disappointed or harmed. The sexual abuse crisis is something we must never forget, and to the survivors, their families and to all the faithful whose trust has been shaken, I again offer my sincere apology and the apologies of the Archdiocese. We continue to pray for the strength that comes from God's grace as we work together to rebuild the Church of Boston.

The commitment to financial transparency is a key element of re-establishing trust with the people of this Archdiocese; it will now be part of our standard practice. Our efforts to restore trust will accommodate nothing less. We will rightfully be judged by our actions, not simply our words. I hope that in this brochure and the full report posted on our website, you find substantive evidence of the Archdiocese fulfilling the promise of transparency, in word and deed, and in living our faith. We are committed to upholding that promise in the name of Jesus Christ.

Yours in Christ,

  
Cardinal Seán O'Malley

The following questions and answers present the highlights of the information shared with the public on April 19, 2006. All of the reports referred to here can be found on the Archdiocese of Boston website at [www.rcab.org](http://www.rcab.org).

#### ***Why has the Archdiocese decided to release these financial reports to the public?***

Cardinal O'Malley's commitment to share this financial and organizational information is rooted in his desire to be more transparent in everything we do. He believes strongly that this presentation is an important step in the process of healing the Church of Boston and rebuilding the trust of the faithful, a trust that has been shaken in the wake of the sexual abuse crisis and parish closings. In sharing this organizational and financial information, we hope to achieve a shared understanding of both the financial facts and what we are facing as a faith community. It is our hope to work together to solve these issues and strengthen the Archdiocese's ability to continue the good works it performs every day.

#### ***What does the financial report cover?***

The report includes a description of the organizational structure of the Archdiocese and the consolidated financial statements of the Roman Catholic Archbishop of Boston, which is organized as a Corporation Sole and covers the operations of the parishes (including their schools and cemeteries), the central operations of the Archdiocese, its insurance program, and its endowment funds. In addition, we have compiled financial statements and information for more than 40 other organizations directly or indirectly connected to the Archdiocese or the Archbishop (referred to as Related



Organizations). As additional information becomes available for specific organizations, we will update the website ([www.rcab.org](http://www.rcab.org)) accordingly. Another report promised by the Cardinal and entitled "Financial Disclosure Regarding Sexual Abuse Settlements and Related Costs" covers the direct monetary costs of the abuse crisis. This information is also available on our website.

#### ***How comprehensive is this financial report?***

This report provides greater insight into the financial affairs of the Archdiocese of Boston than at any point in its history. It is a very comprehensive financial report that goes well beyond merely providing audited financial statements.

#### ***How was this report prepared?***

To assist in defining and organizing the materials for this financial transparency process, the Archbishop enlisted the help of the Archdiocesan Finance Council and formed a committee comprised of pastors, parishioners and outside financial experts from the business and academic communities. Chaired by Jack McCarthy, a retired partner at PricewaterhouseCoopers and now a Principal at the Hauser Center for Nonprofit Organizations at Harvard University, the committee oversaw the process of preparing a complete and thorough presentation of the Archdiocese's finances. The accounting firm of Grant Thornton LLP audited the financial statements that are included in the report.

#### ***Will the Archdiocese issue financial reports in the future?***

The Cardinal has committed to and will provide comprehensive annual reports in the future. In addition, beginning in November 2006, each parish will publish a non-audited set of financial statements. The Archdiocese will also provide annual supplemental financial reports regarding any future settlements for claims of sexual abuse and the sources of funds for those settlements.



#### ***What is the financial condition of the Archdiocese?***

The Archdiocese of Boston is currently in a difficult financial position. It is a complex organization, which is comprised of central administrative and pastoral operations, commonly referred to as Central Fund or Chancery operations, and a parish network of 303 parishes. Central Fund operations include the office of the Cardinal along with a variety of pastoral and business services provided to the broad Archdiocesan parish structure. The financial

statements released today show all components of the Archdiocese, including Central Fund, parishes, insurance fund and endowment in a "consolidated" form, as if they are one operation. The Central Fund has incurred substantial operating deficits for several years due to reductions in donations to the annual appeal. Appeal donations that totaled \$15.5 million in 2001 dropped to \$11.6 million in 2005. (The Catholic Appeal is presented here on a fiscal-year basis, as opposed to a campaign-year basis, which explains why 2005 revenue appears lower than may have been presented in Catholic Appeal literature.) Though donations have increased in the last two years, the Archdiocese has funded operating shortfalls primarily through a combination of increased borrowing and the sale of property. Compounding the financial problems are large deficits in the pension funds for clergy and lay employees and unresolved civil claims arising from the sexual abuse crisis.

The accumulation of debt now carries payments, which the Archdiocese is struggling to meet. Incurring more debt to pay for Central Fund and parish operations is no longer a choice. In recognition of this, we continue to reduce Central Fund expenses to more affordable levels. We have made progress in this endeavor, but more remains to be accomplished.

The financial condition of the individual Archdiocesan parishes varies widely, though when added all together, as they

are in the financial report, the parishes collectively appear to be operating with positive cash balances and surplus. Behind the combined number are a wide variety of circumstances. Some parishes take in enough in donations from parishioners to cover all their monthly expenses and to accumulate significant cash reserves. Some are meeting their current obligations but are not able to afford the upkeep of their buildings, many of which are old and in need of repairs. Other parishes do not collect anywhere near the amount of money they need to meet their basic expenses, let alone the repairs to their buildings, and in these instances, Central Fund is required to provide subsidies.

#### *What role has the sexual abuse crisis played in the Archdiocese's current financial situation?*

A combination of factors, including the clergy sexual abuse crisis, has had a substantial impact on the Archdiocese's financial situation. Donations are down; Mass attendance and sacramental participation have declined in recent years, though the past year has shown signs of improvement. The direct monetary cost and funding sources of the abuse crisis are presented in a separate report entitled "Financial Disclosure Regarding Sexual Abuse Settlements and Related Costs," which is available on the website at [www.rcab.org](http://www.rcab.org). The Archdiocese expended over \$150 million in connection with the settlements and related costs of sexual abuse claims prior to June 30, 2005 and will incur additional costs in the future. These costs also

include significant expenditures to fulfill its responsibility to survivors and to ensure that this tragedy never again occurs.



These funds ultimately came from a variety of sources, including: selected property sales, primarily the sale of a portion of the Brighton property to Boston College; insurance coverage under policies issued to the Archdiocese; specific donations to fund therapy for survivors; and money reserved from the

Archdiocese's self-insurance fund. As described in the source and use report, money from the sale of parish properties closed through the reconfiguration process has not been used to fund settlements. In addition, the Archdiocese has not used money raised from the *Promise for Tomorrow* Capital and Endowment Campaign, the Annual Catholic Appeal, or parish-level donations to fund settlements.

#### *What is the Archdiocese doing to assist parishes with their financial challenges?*

There is great inconsistency in both the financial condition and financial reporting from parish to parish. While many parishes have active finance councils that advise the pastor and facilitate financial reporting, many do not. In parishes with limited resources, there exist competing priorities for those resources. Frequently, a higher priority is placed on mission-related investments rather than financial staff and record keeping. In those and other cases, the Central Fund finance team is assisting with the implementation of consistent reporting. Recently distributed parish financial manuals were designed to bring about consistency and share best practices among parishes.

Our goal is that all parishes in the Archdiocese will operate with active finance councils and that financial reports are shared broadly with members of the parish. We are committed to assisting them in achieving that goal.

#### *How is the Archdiocese addressing its financial and other issues?*

Within the last year, the Cardinal has established a number of strategic planning committees where diocesan lay, religious and clergy experts work together with Central Administration staff to analyze these financial problems and propose plans of action to rebuild the strength of the Archdiocese. These committees have been addressing the areas of central and parish operations, fundraising and development and Catholic schools. The Cardinal asked these committees to conduct their studies within the context of his evolving vision for how

the Archdiocese can best serve the mission that Christ has entrusted to the Church, including the following priorities:

- Promote healing and strengthen bonds of unity throughout the Archdiocese;
- Support education and faith formation at all levels, including Catholic schools, vocations to priesthood and lay ministry; and
- Support works of mercy, social justice and evangelization, including the important ministries of Catholic Charities and Caritas Christi Health System.

The Development and Catholic Schools Committees are working to complete their analysis and recommendations, which are expected to be available to the Cardinal in coming months. The committee focused on the central and parish operations has completed its work, including a plan designed to achieve break-even operations in the Central Fund by fiscal year 2008. Equally important, its recommendations lay out a plan to bring the pastoral support programs and business services of the Chancery closer to the parishes and the individuals they serve. More timely and clearer communication between the Chancery and the pastors, priests and parishioners will be forthcoming. These changes seek to create an organization where the Auxiliary Bishops and Vicars are empowered to improve the connections among clergy and parishioners with the services and guidance of the Chancery.

#### *Where can I get the detailed financial reports prepared and issued by the Archdiocese?*

You can view the entire report online at [www.rcab.org](http://www.rcab.org). The report also will be published in a special edition of *The Pilot*, the official newspaper of the Archdiocese.

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**Transparency Project of the  
Archdiocese of Boston**  
**Questions and Answers**