

Combined Financial Statements and Report of
Independent Certified Public Accountants

**The Catholic Cemetery Association of the
Archdiocese of Boston, Inc. and Affiliated Trust**

June 30, 2008 and 2007

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Audit • Tax • Advisory

Grant Thornton LLP
226 Causeway Street, 6th Floor
Boston, MA 02114-2155

T 617.723.7900
F 617.723.3640
www.GrantThornton.com

Report of Independent Certified Public Accountants

His Eminence Cardinal Sean Patrick O'Malley, O.F.M. Cap.
The Catholic Cemetery Association of the Archdiocese of Boston, Inc.

We have audited the accompanying combined statements of financial position of The Catholic Cemetery Association of the Archdiocese of Boston, Inc. and Affiliated Trust (the "Association") as of June 30, 2008 and 2007, and the related combined statements of unrestricted activities and cash flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined financial position of The Catholic Cemetery Association of the Archdiocese of Boston, Inc. and Affiliated Trust as of June 30, 2008 and 2007, and the combined changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note L, the net assets as of July 1, 2006 and the financial statements as of and for the year ended June 30, 2007 have been restated to correct for certain misstatements.

Grant Thornton LLP

Boston, Massachusetts
June 11, 2009

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
AND AFFILIATED TRUST**

Combined Statements of Financial Position

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u> As restated (note L)
ASSETS		
Cash and cash equivalents	\$ 2,092,641	\$ 1,728,616
Deposits with the Corporation Sole Revolving Loan Fund (note H)	704,103	676,951
Interest and dividends receivable	352,266	384,674
Prepaid expenses and accounts receivable	249,837	151,058
Investments at fair value (note D)	22,397,722	25,263,335
Restricted assets - future care	11,738,900	11,537,994
Inventories (note C)	1,966,458	2,204,626
Land, buildings and equipment, net (note E)	4,562,959	4,653,001
	<u>\$ 44,064,886</u>	<u>\$ 46,600,255</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	630,329	595,880
Deferred revenue	4,068,626	3,737,837
Total liabilities	<u>4,698,955</u>	<u>4,333,717</u>
Contingencies (note I)		
NET ASSETS:		
Unrestricted - operating	27,627,031	30,728,544
Unrestricted - assets held for limited use (note F)	11,738,900	11,537,994
Total net assets	<u>39,365,931</u>	<u>42,266,538</u>
Total liabilities and net assets	<u>\$ 44,064,886</u>	<u>\$ 46,600,255</u>

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

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
AND AFFILIATED TRUST**

Combined Statements of Unrestricted Activities

For the fiscal year ended June 30, 2008

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

	Unrestricted - Operating	Unrestricted - Assets Held for Limited Use	2008 Total	2007 Total As restated (note L)
OPERATING:				
REVENUES AND OTHER SUPPORT:				
Lot openings	\$ 2,061,777	\$ -	\$ 2,061,777	\$ 2,127,247
Lot sales	1,454,139	156,355	1,610,494	1,789,177
Mausoleum sales	766,916	303,032	1,069,948	749,470
Grave boxes	641,092	-	641,092	663,218
Other revenue and services	581,083	-	581,083	845,378
Interest and dividends	1,125,421	408,603	1,534,024	1,455,749
Net assets reclassified through satisfaction of limitations (note F)	390,840	(390,840)	-	-
Total revenues and other support	<u>7,021,268</u>	<u>477,150</u>	<u>7,498,418</u>	<u>7,630,239</u>
EXPENSES:				
Program:				
Cost of sales	4,267,033	-	4,267,033	4,165,719
Selling expense	276,353	-	276,353	271,460
Maintenance expense	717,439	-	717,439	577,866
Operating supplies	194,805	-	194,805	171,207
Total program	<u>5,455,630</u>	<u>-</u>	<u>5,455,630</u>	<u>5,186,252</u>
Management and general	1,905,293	-	1,905,293	1,696,236
Total expenses	<u>7,360,923</u>	<u>-</u>	<u>7,360,923</u>	<u>6,882,488</u>
Change in net assets before non-operating activities	<u>(339,655)</u>	<u>477,150</u>	<u>137,495</u>	<u>747,751</u>
NON-OPERATING ACTIVITIES:				
Net realized and unrealized (losses) gains on investments	(2,807,609)	(1,074,965)	(3,882,574)	3,145,438
Gain on sale of land	-	-	-	472,871
Total non-operating activities	<u>(2,807,609)</u>	<u>(1,074,965)</u>	<u>(3,882,574)</u>	<u>3,618,309</u>
CHANGES IN NET ASSETS	(3,147,264)	(597,815)	(3,745,079)	4,366,060
Net assets at beginning of year, as restated (note L)	30,728,544	11,537,994	42,266,538	37,900,478
Net asset transfer - parish reconfiguration (note H)	45,751	798,721	844,472	-
Net assets at end of year	<u>\$ 27,627,031</u>	<u>\$ 11,738,900</u>	<u>\$ 39,365,931</u>	<u>\$ 42,266,538</u>

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

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
AND AFFILIATED TRUST**

Combined Statement of Unrestricted Activities
For the fiscal year ended June 30, 2007

	Unrestricted - Operating As restated (note L)	Unrestricted - Assets Held for Limited Use As restated (note L)	Total As restated (note L)
OPERATING:			
REVENUES AND OTHER SUPPORT:			
Lot openings	\$ 2,127,247	\$ -	\$ 2,127,247
Lot sales	1,617,011	172,166	1,789,177
Mausoleum sales	523,849	225,621	749,470
Grave boxes	663,218	-	663,218
Other revenue and services	845,378	-	845,378
Interest and dividends	1,065,573	390,176	1,455,749
Net assets reclassified through satisfaction of limitations (note F)	368,667	(368,667)	-
Total revenues and other support	<u>7,210,943</u>	<u>419,296</u>	<u>7,630,239</u>
EXPENSES:			
Program:			
Cost of sales	4,165,719	-	4,165,719
Selling expense	271,460	-	271,460
Maintenance expense	577,866	-	577,866
Operating supplies	171,207	-	171,207
Total program	<u>5,186,252</u>	<u>-</u>	<u>5,186,252</u>
Management and general	1,696,236	-	1,696,236
Total expenses	<u>6,882,488</u>	<u>-</u>	<u>6,882,488</u>
Change in net assets before non-operating activities	<u>328,455</u>	<u>419,296</u>	<u>747,751</u>
NON-OPERATING ACTIVITIES:			
Net realized and unrealized gains on investments	2,328,486	816,952	3,145,438
Gain on sale of land	472,871	-	472,871
Total non-operating activities	<u>2,801,357</u>	<u>816,952</u>	<u>3,618,309</u>
CHANGES IN NET ASSETS	3,129,812	1,236,248	4,366,060
Net assets at beginning of year, as restated (note L)	28,640,448	9,260,030	37,900,478
Net asset transfer:			
Formation of Perpetual Care Trust (note J)	<u>(1,041,716)</u>	<u>1,041,716</u>	<u>-</u>
Net assets at end of year, as restated (note L)	<u>\$ 30,728,544</u>	<u>\$ 11,537,994</u>	<u>\$ 42,266,538</u>

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

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
AND AFFILIATED TRUST**

Combined Statements of Cash Flows

For the fiscal years ended June 30, 2008 and 2007

	2008	2007 As restated (note L)
OPERATING ACTIVITIES:		
Changes in net assets	\$ (3,745,079)	\$ 4,366,060
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	349,743	378,762
Net realized and unrealized losses (gains) on investments	3,882,574	(3,145,438)
Gain on sale of land	-	(472,871)
Future care receipts limited for long-term purposes	(303,032)	(225,621)
Lot sales limited for long-term purposes	(156,355)	(172,166)
Interest and dividends limited for long-term purposes	(408,603)	(390,176)
Changes in operating assets and liabilities:		
Interest and dividends receivable	32,408	(51,841)
Prepaid expenses and accounts receivable	(98,779)	(33,369)
Inventories	238,168	103,531
Accounts payable and accrued expenses	34,449	(185,528)
Deferred revenue	330,789	519,170
Net cash provided by operating activities	<u>156,283</u>	<u>690,513</u>
INVESTING ACTIVITIES:		
Purchases of land, buildings and equipment, net	(213,950)	(398,799)
Proceeds from the sale of land	-	485,207
Purchases of investments	(1,063,032)	(1,249,468)
Net deposits to revolving loan fund	<u>(27,152)</u>	<u>(212,715)</u>
Net cash used in investing activities	<u>(1,304,134)</u>	<u>(1,375,775)</u>
FINANCING ACTIVITIES:		
Future care receipts limited for long-term purposes	303,032	225,621
Lot sales limited for long-term purposes	156,355	172,166
Interest and dividends limited for long-term purposes	408,603	390,176
Cash received from parish reconfiguration transfer	<u>643,886</u>	<u>-</u>
Net cash provided by financing activities	<u>1,511,876</u>	<u>787,963</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>364,025</u>	<u>102,701</u>
Cash and cash equivalents at beginning of year	<u>1,728,616</u>	<u>1,625,915</u>
Cash and cash equivalents at end of year	<u>\$ 2,092,641</u>	<u>\$ 1,728,616</u>
Non-cash assets received upon parish reconfiguration transfer	<u>\$ 200,586</u>	<u>\$ -</u>

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

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATED TRUST

Notes to Combined Financial Statements
June 30, 2008 and 2007

NOTE A - NATURE OF ORGANIZATION

The Catholic Cemetery Association of the Archdiocese of Boston, Inc. (the "Association") owns and operates twenty-five cemeteries and three mausolea within the Archdiocese of Boston. The operations of certain other Catholic cemeteries located within the Archdiocese of Boston are owned and operated by local parishes and other unrelated organizations and are not included in the accompanying financial statements.

The combined financial statements also include the activities of The Catholic Cemetery Association of the Archdiocese of Boston, Inc. Perpetual Care Trust (the "Trust") which was formed on November 16, 2006 for the sole benefit of the Association. For additional information, see Note J.

The Archbishop of Boston, by virtue of his office, serves as chairman of the Association and numerous other separately incorporated Catholic organizations that operate within the Archdiocese of Boston. While these organizations are considered to be related organizations of the Association, their financial activities are not presented as part of the accompanying financial statements. The Archbishop of Boston is the Trustee of the Trust.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

The combined financial statements include the accounts of the Association and the Trust as of and for the years ended June 30, 2008 and 2007. All intercompany accounts and transactions have been eliminated in combination.

Classification of Net Assets

The Association reports all of its net assets as unrestricted, including assets that are held for limited use. The two classifications of unrestricted net assets are defined as follows:

Unrestricted- operating - These net assets represent the general operations of the Association and include the net assets invested in land, buildings and equipment.

Unrestricted- assets held for limited use - These represent net assets subject to legally imposed restrictions that they be segregated and used for the perpetual care of cemetery property. The investment income earned on these assets is to be used for the long-term care and maintenance of lots and mausoleums. Included in these net assets are the net assets of the Trust (refer to Note J), which relate to lot sales, and the net assets of the funds set aside related to mausoleum sales under Massachusetts state law. Income and losses from related investments are also classified as unrestricted- assets held for limited use. Amounts allowed to be spent in accordance with the Trust agreement and Massachusetts state law are reflected as amounts released from limitations.

The Association has no net assets that are subject to donor imposed restrictions and accordingly, does not classify any of its net assets as either temporarily or permanently restricted.

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATED TRUST

Notes to Combined Financial Statements - Continued
June 30, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Cash Equivalents

Financial instruments with original maturities of three months or less at purchase are classified as cash equivalents. Included in cash equivalents are investments in money market mutual funds totaling \$844,338 and \$753,494 at June 30, 2008 and 2007, respectively.

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

Investments

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

Inventories

Inventories, supplies and resale products are valued at the lower of cost (determined on a first-in, first-out basis) or market. Land, cemetery and mausoleum development costs are amortized and classified as cost of sales when graves and crypts are sold.

Land, Buildings and Equipment

Land and land improvements, buildings and building improvements, and furniture and equipment are carried at cost. Buildings, building improvements, furniture and equipment are depreciated on a straight-line basis over their estimated useful lives, which range from three to forty years. Expenditures for maintenance and repairs are charged to expense as incurred, whereas major betterments are capitalized.

Revenue Recognition

The Association assists customers with both “pre-need” and “at-need” service. Pre-need service relates to customers contracting with the Association to provide future burial services. At-need service relates to customers contracting with the Association for immediate burial services. Pre-need burial contracts are reflected as deferred revenue until interment or entombment occurs.

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATED TRUST

Notes to Combined Financial Statements - Continued
June 30, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Future Care Funds

The Association deposits 30% of all proceeds from mausolea sales into a future care fund maintained by the Association. The Association also deposits a minimum of 10% of all proceeds from ground lot sales into the Trust for the continued maintenance of the cemetery grounds. Receipt of such funds are classified as unrestricted – assets held for limited use within the statements of activities. Included in restricted assets - future care are investments restricted to fund future care expenditures.

Income Taxes

The Association is included in the United States Catholic Conference Group Ruling and in the Official Catholic Directory and is therefore exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements.

Use of Estimates

The preparation of the 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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant items affected by the use of estimates include depreciable lives for fixed assets and the fair value of investments. Actual results could vary from those estimates.

Reclassifications

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

Recent Accounting Pronouncements

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair values, establishes a framework for measuring fair value, and expands the disclosure requirements about fair value measurements. In February 2008, the FASB issued Staff Position No. FAS 157-2 (FSP 157-2) that defers the effective date of applying the provisions of SFAS No. 157 to the fair value measurement of nonfinancial assets and nonfinancial liabilities until fiscal years beginning after November 15, 2008. In October 2008, the FASB issued FASB Staff Position 157-3, *Determining Fair Value of a Financial Asset When the Market for That Asset Is Not Active* (“FSP 157-3”). This FSP clarifies the application of SFAS No. 157 in a market that is not active and is effective upon adoption of SFAS No. 157. In April 2009, the FASB issued FSP 157-4 “Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (“FSP FAS 157-4”), which provides additional guidance for estimated fair value in accordance with SFAS No. 157, “Fair Value Measurements; when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 157-4

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATED TRUST

Notes to Combined Financial Statements - Continued
June 30, 2008 and 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

is effective for fiscal years ending June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. The Association is required to adopt the provisions of SFAS No. 157 that pertain to financial assets and the liabilities for the year ending June 30, 2009. The Association is currently evaluating the effect SFAS No. 157 and related FSPs will have on its financial position and changes in net assets.

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 ("FIN 48"), *Accounting for Uncertainty in Income Taxes, an interpretation of SFAS 109*. The interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, *Accounting for Income Taxes*. The interpretation prescribes a recognition threshold and measurements attribute for a tax position taken or expected to be taken in a tax return and also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. On December 30, 2008, the FASB issued FASB Staff Position (FSP) FIN 48-3, *Effective Date of FASB Interpretation No. 48 for certain Nonpublic Enterprises*. The FSP defers the effective date of FIN 48, for certain nonpublic enterprises to the enterprise's annual financial statements for fiscal years beginning after December 15, 2008. The Association currently accounts for tax contingencies in accordance with SFAS 5, "Accounting for Contingencies." The Association is required to adopt the provisions of FIN 48 for the year ending June 30, 2010, and is currently evaluating the impact the adoption of FIN 48 will have on its financial position and changes in net assets.

NOTE C - INVENTORIES

Inventories consisted of the following at June 30:

	<u>2008</u>	2007 As restated (note L)
Mausolea	\$ 846,056	\$ 1,014,563
Land and lot development costs	629,745	637,141
Grave boxes installed on lots available for sale	438,056	493,518
Grave boxes on hand	16,860	21,545
Columbaria	35,741	37,859
	<u>\$ 1,966,458</u>	<u>\$ 2,204,626</u>

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATED TRUST

Notes to Combined Financial Statements - Continued
June 30, 2008 and 2007

NOTE D - INVESTMENTS

Investments consist solely of holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston ("Investment Fund"), which is fully invested in the RCAB Collective Investment Partnership ("Investment Partnership"). The Investment Partnership is invested primarily in publicly traded equity and fixed-income securities as well as a private partnership. The Investment Partnership is a related organization established to provide a common investment pool in which the Association and other catholic organizations participate. The participants own units based upon a per-unit value at the time of purchase. The Investment Fund and Investment Partnership incur service fees from Corporation Sole for administrative, technical and clerical services performed on behalf of the funds. These fees are reflected in the calculation of the value per unit.

At June 30, 2008 securities whose prices are not available through independent pricing services are limited to less than 5% of the total investments of the Investment Fund. The cost of the Association's interest in the Investment Fund was \$26,277,277 and \$25,118,843 at June 30, 2008 and June 30, 2007, respectively.

NOTE E - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at June 30:

	<u>2008</u>	2007 As restated (note L)
Land and land improvements	\$ 4,163,523	\$ 4,066,821
Buildings and building improvements	1,329,536	1,133,404
Furniture and equipment	2,984,525	2,950,789
Construction in progress	-	15,000
Total cost	<u>8,477,584</u>	<u>8,166,014</u>
Less accumulated depreciation	<u>(3,914,625)</u>	<u>(3,513,013)</u>
	<u>\$ 4,562,959</u>	<u>\$ 4,653,001</u>

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATED TRUST

Notes to Combined Financial Statements - Continued
June 30, 2008 and 2007

NOTE F - UNRESTRICTED NET ASSETS

Unrestricted - assets held for limited use were available for the following purposes at June 30:

	<u>2008</u>	<u>2007</u>
Unspent appreciation: Future care - Mausolea	\$ 3,950,370	\$ 4,065,626
Principal: Future care - Mausolea	6,542,820	6,239,788
Perpetual Care Trust	<u>1,245,710</u>	<u>1,232,580</u>
	<u>\$ 11,738,900</u>	<u>\$ 11,537,994</u>

Net assets reclassified to unrestricted operating net assets through satisfaction of limitations were as follows for the years ended June 30:

	<u>2008</u>	<u>2007</u>
Perpetual Care Trust	\$ 39,072	\$ 38,121
Future care - Mausolea	<u>351,768</u>	<u>330,546</u>
	<u>\$ 390,840</u>	<u>\$ 368,667</u>

NOTE G - EMPLOYEE BENEFITS

Pension Plan

The Association participates with other Catholic organizations in a noncontributory, defined benefit, multi-employer pension plan covering substantially all lay employees. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the "Pension Plan"). The Association's employees represent approximately 1.25% of all lay employees covered under the Pension Plan. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension expense allocated to the Association is based on payroll cost and amounted to \$157,560 and \$148,963 for the years ended June 30, 2008 and 2007, respectively.

Accumulated plan benefits information for the Association, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the Pension Plan and, accordingly, such information is not presented herein. At June 30, 2008, the audited financial statements of the Pension Plan reflected approximately \$272.1 million in net assets available for benefits and \$301.5 million in accumulated plan benefits.

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATED TRUST

Notes to Combined Financial Statements - Continued
June 30, 2008 and 2007

NOTE G - EMPLOYEE BENEFITS - Continued

Sick Leave

The majority of employees of the Association are covered under a collective bargaining agreement. Under this agreement, covered employees accumulate unused sick leave from year to year without limitation. Upon retirement or death, employees hired prior to 2002 or their beneficiaries will be paid an amount based upon 50% of accumulated sick leave, up to a maximum of 100 days, at per diem rates established in the collective bargaining agreement. Forfeitures occurring during the year are recorded as a reduction to expense. The Association had accrued \$269,801 and \$300,349 for its sick leave obligation at June 30, 2008 and 2007, respectively.

NOTE H - RELATED PARTY TRANSACTIONS

The Association receives administrative support from the Roman Catholic Archbishop of Boston, A Corporation Sole (the "Corporation Sole") in the form of centralized processing of cash receipts, cash disbursements, payroll, benefits and management information systems. Certain administrative costs, including salaries, office space and overhead expenses incurred by the Corporation Sole for the benefit of the Association are charged to the Association. Such expenses amounted to \$215,841 and \$125,617 during the years ended June 30, 2008 and 2007, respectively. The expense for these service fees is included in management and general in the accompanying statements of activities.

During fiscal year 2007, the Association received \$294,635 from St. Patrick's Parish in Roxbury for the re-interment of remains discovered at the former cemetery at St. Joseph's Parish in Roxbury. These funds are included in other revenue and services in the accompanying statement of activities for the year ended June 30, 2007.

The Association deposits funds with the Revolving Loan Fund ("the Revolving Loan Fund"), an internal savings and loan program of the Corporation Sole which is administered for the benefit of various catholic entities within the Archdiocese of Boston. All funds invested with the Revolving Loan Fund currently receive a 4% annual return and are available within one business day.

On October 1, 2007, as a result of a parish reconfiguration within the Corporation Sole, the Association assumed responsibility for the operations of two cemeteries with the transfer of ownership of these cemeteries from Holy Family Parish in Gloucester. The net assets of these cemeteries on the date of transfer were \$200,586. In December 2007, the Corporation Sole transferred \$643,886 from parish reconfiguration funds to the Association as funding for the future care of these cemeteries.

NOTE I - CONTINGENCIES

In the normal course of operations, the Association provides its customers with an installment financing option. When a customer enters into a financing arrangement with the Association, the related notes are sold to a bank under a Recourse Purchase Agreement (the "Agreement"). Under the Agreement, the Association is liable for defaults by its customers. Default is defined as any contract that becomes at least 90 days past due. At June 30, 2008, the Association was contingently liable for contracts aggregating approximately \$563,000. No contracts were in default at June 30, 2008. During fiscal year 2008, the Association made payments to the bank under the terms of the Agreement, net of customer reimbursements, totaling approximately \$15,700. In the opinion of management, the Association's estimated liability under the recourse provision of the Agreement is insignificant.

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATED TRUST

Notes to Combined Financial Statements - Continued
June 30, 2008 and 2007

NOTE J - FORMATION OF PERPETUAL CARE TRUST

In 2004, the Commonwealth of Massachusetts enacted legislation that brought oversight of cemeteries under the jurisdiction of the Office of the Secretary of State. In settlement of litigation, the Association entered into an agreement in November 2006 with the Secretary of State requiring the Association to set aside a minimum of 10% of the proceeds from its ground lot sales into an irrevocable and perpetual trust so long as the Association is in existence. On November 16, 2006, the Trust was formed. Under the agreement, the initial funding of the Trust included the proceeds of ground lot sales retroactive to June 2001, when the Association was formed as a separate legal entity.

Within 60 days of the end of each fiscal year, the Trustees shall transfer to the Association 3% of the aggregate value of the Trust's net assets to be applied to the care and maintenance of the cemeteries administered by the Association. The amounts transferred for the years ended June 30, 2008 and 2007 were \$39,072 and \$38,121, respectively.

NOTE K - MANAGEMENT AND GENERAL EXPENSES

Included in management and general expenses in the statements of activities are the following expenses for the year ended June 30:

	<u>2008</u>	<u>2007</u>
Salaries	\$ 1,263,962	\$ 1,118,095
Depreciation	56,126	44,431
Administrative support from Corporation Sole	215,841	125,617
Utilities and communications	278,157	261,979
Miscellaneous	<u>91,207</u>	<u>146,114</u>
	<u>\$ 1,905,293</u>	<u>\$ 1,696,236</u>

NOTE L - RESTATEMENTS

Fixed Asset Valuation

During the year ended June 30, 2008, the Association corrected the accounting for an entry that was recorded in fiscal year 2002 by the Association. The entry incorrectly adjusted the carrying value of fixed assets and inventories the Association received from the Corporation Sole as part of the July 1, 2001 net assets transfer upon the formation of the Association as a separate legal entity.

The assets and net assets of the Association as of July 1, 2006, the earliest period presented in these financial statements, have been restated to properly reflect the carrying value of the assets at that date. The net impact of this restatement as of July 1, 2006 resulted in a reduction of \$2,339,482 in unrestricted net assets. Additionally, depreciation for the year ended June 30, 2007 was adjusted.

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC. AND AFFILIATED TRUST

Notes to Combined Financial Statements - Continued
June 30, 2008 and 2007

NOTE L - RESTATEMENTS - Continued

Recharacterization of Permanently and Temporarily Restricted Net Assets to Unrestricted Net Assets Held for Limited Use

Prior to fiscal 2008, the Association accounted for a specified portion of the funds received from customers in connection with the sale of lots and graves, including mausoleum, as permanently restricted net assets. This classification was based on the requirements of Massachusetts state law and the Trust, which limited the use of these funds to perpetual care of the cemeteries. Because these funds were not restricted based on donor restrictions, they should be properly classified as unrestricted net assets held for limited use.

Investment earnings on the net assets which had been previously classified as permanently restricted had been classified as temporarily restricted net assets and subsequently released to unrestricted net assets based on management approval. As is the case with the funds received from customers, the investment earnings on these funds should be classified as unrestricted net assets held for limited use. The net impact of this restatement as of July 1, 2006 resulted in an increase in unrestricted net assets of \$9,260,030 from the amount previously reported but had no impact on total net assets.

The net impact of the restatements as of and for the year ended June 30, 2007 on the affected accounts is as follows:

	As previously reported	Inventory and fixed asset adjustment	Net asset reclassification adjustment	As restated
Inventory	\$ 2,446,859	\$ (242,233)	-	\$ 2,204,626
Fixed assets	6,669,197	(2,016,196)	-	4,653,001
Total assets	48,858,684	(2,258,429)	-	46,600,255
Total unrestricted net assets	32,986,973	(2,258,429)	11,537,994	42,266,538
Temporarily and permanently restricted net assets	11,537,994	-	(11,537,994)	-
Total net assets	44,524,967	(2,258,429)	-	42,266,538
Management and general expenses	1,777,289	(81,053)	-	1,696,236
Changes in net assets	4,285,007	81,053	-	4,366,060

NOTE M - SUBSEQUENT EVENT (unaudited)

Due to volatility in the domestic and international fixed income and equity markets, the fair value of the Association's investments has decreased by approximately 14% from July 1, 2008 to April 30, 2009. The value of investments presented in the statement of financial position as of June 30, 2008 does not reflect any market events after such date.

SUPPLEMENTAL INFORMATION



**Report of Independent Certified Public Accountants
on Supplemental Information**

Audit • Tax • Advisory

Grant Thornton LLP
226 Causeway Street, 6th Floor
Boston, MA 02114-2155

T 617.723.7900
F 617.723.3640
www.GrantThornton.com

His Eminence Cardinal Sean Patrick O'Malley, O.F.M. Cap.
The Catholic Cemetery Association of the Archdiocese of Boston, Inc.

Our audits were conducted for the purpose of forming an opinion on the basic combined financial statements taken as a whole of the Catholic Cemetery Association of the Archdiocese of Boston, Inc. and Affiliated Trust as of and for the years ended June 30, 2008 and 2007. Our report on those basic combined financial statements includes an explanatory paragraph which discusses the restatement of the net assets as of July 1, 2006 and the financial statements as of and for the year ended June 30, 2007. The supplemental information 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
June 11, 2009

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
PERPETUAL CARE TRUST

Statements of Financial Position

June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Interest and dividends receivable	\$ 12,628	\$ 16,923
Due from The Catholic Cemetery Association of the Archdiocese of Boston, Inc.	65,053	45,828
Investments	<u>1,224,718</u>	<u>1,207,950</u>
Total assets	<u>\$ 1,302,399</u>	<u>\$ 1,270,701</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued distribution	\$ 56,689	\$ 38,121
NET ASSETS:		
Unrestricted - assets held for limited use	<u>1,245,710</u>	<u>1,232,580</u>
Total liabilities and net assets	<u>\$ 1,302,399</u>	<u>\$ 1,270,701</u>

**THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
PERPETUAL CARE TRUST**

Statements of Activities

For the fiscal years ended June 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
OPERATING:		
REVENUES:		
Restricted lot sales	\$ 156,355	\$ 172,166
Interest and dividends	<u>56,835</u>	<u>27,340</u>
Total revenues	213,190	199,506
EXPENSES:		
Transfer to The Catholic Cemetery Association of the Archdiocese of Boston, Inc.	<u>39,072</u>	38,121
Change in net assets before non-operating activity	174,118	161,385
NON-OPERATING ACTIVITY:		
Net realized and unrealized (losses) gains on investments	<u>(160,988)</u>	<u>29,479</u>
CHANGES IN NET ASSETS	13,130	190,864
Net assets at beginning of year	1,232,580	-
Net asset transfer at formation	<u>-</u>	<u>1,041,716</u>
Net assets at end of year	\$ 1,245,710	\$ 1,232,580