

Financial Statements and Report of Independent Certified Public Accountants
The Catholic Cemetery Association of the Archdiocese of Boston, Inc.
June 30, 2006 and 2005

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.

Table of Contents

June 30, 2006 and 2005

	<u>Page</u>
Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of Financial Position.....	4
Statements of Activities	5
Statements of Cash Flows	7
Notes to Financial Statements.....	8

Report of Independent Certified Public Accountants

The Most Revered Archbishop Sean Patrick O'Malley
The Catholic Cemetery Association of the Archdiocese of Boston, Inc.

We have audited the accompanying statements of financial position of The Catholic Cemetery Association of the Archdiocese of Boston, Inc. (the "Association") as of June 30, 2006 and 2005, and the related statements of 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 purpose 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 financial position of The Catholic Cemetery Association of the Archdiocese of Boston, Inc. as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton, LLP

Boston, Massachusetts
December 7, 2006

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
Statements of Financial Position
June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
ASSETS		
Cash and cash equivalents	\$ 1,625,915	\$ 1,674,831
Deposits with the Corporation Sole-Revolving Loan Fund	464,236	1,514,556
Interest and dividends receivable	332,833	276,661
Prepaid expenses and accounts receivable	117,689	145,116
Investments	32,406,423	27,787,462
Inventory (note C)	2,579,574	2,184,627
Land, buildings and equipment, net (note D)	<u>6,713,365</u>	<u>7,138,405</u>
 Total assets	 <u>\$44,240,035</u>	 <u>\$40,721,658</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 781,408	\$ 863,013
Deferred revenue	<u>3,218,667</u>	<u>2,708,535</u>
Total liabilities	<u>4,000,075</u>	<u>3,571,548</u>
 Contingent Liability (Note J)		
NET ASSETS:		
Unrestricted	30,979,930	28,982,416
Temporarily restricted (note E)	3,245,863	2,450,523
Permanently restricted (note F)	<u>6,014,167</u>	<u>5,717,171</u>
Total net assets	<u>40,239,960</u>	<u>37,150,110</u>
 Total liabilities and net assets	 <u>\$44,240,035</u>	 <u>\$40,721,658</u>

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

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.

Statement of Activities

Year ended June 30, 2006

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2006 Total</u>	<u>2005 Total</u>
OPERATING:					
REVENUES, GAINS AND OTHER SUPPORT:					
Lot openings	\$ 2,163,062	\$ -	\$ -	\$ 2,163,062	\$ 2,181,249
Lot sales	1,606,735	-	-	1,606,735	1,640,982
Mausoleum sales	688,591	-	-	688,591	710,646
Grave boxes	635,089	-	-	635,089	592,895
Other revenue and services	665,193	-	-	665,193	599,600
Interest and dividends	975,491	303,705	-	1,279,196	1,187,072
Future care receipts	202,622	-	296,996	499,618	511,787
Parish reconfiguration - transfer from related organization (note I)	1,695,149	-	-	1,695,149	584,333
Net assets released from restrictions through satisfaction of program restrictions (note E)	<u>303,705</u>	<u>(303,705)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>8,935,637</u>	<u>-</u>	<u>296,996</u>	<u>9,232,633</u>	<u>8,008,564</u>
EXPENSES (note G):					
Program:					
Cost of sales	4,064,538	-	-	4,064,538	4,213,607
Selling expense	342,369	-	-	342,369	310,224
Maintenance expense	500,741	-	-	500,741	493,631
Operating supplies	<u>152,544</u>	<u>-</u>	<u>-</u>	<u>152,544</u>	<u>107,208</u>
Total program	5,060,192	-	-	5,060,192	5,124,670
Management and general:					
Salaries	1,289,690	-	-	1,289,690	1,224,069
Depreciation and amortization	472,342	-	-	472,342	388,539
Administrative support (note H)	125,617	-	-	125,617	110,318
Utilities and communications	247,886	-	-	247,886	218,929
Miscellaneous	<u>149,766</u>	<u>-</u>	<u>-</u>	<u>149,766</u>	<u>100,050</u>
Total management and general	<u>2,285,301</u>	<u>-</u>	<u>-</u>	<u>2,285,301</u>	<u>2,041,905</u>
Total expenses	<u>7,345,493</u>	<u>-</u>	<u>-</u>	<u>7,345,493</u>	<u>7,166,575</u>
Change in net assets before non-operating revenue	1,590,144	-	296,996	1,887,140	841,989
NON-OPERATING REVENUE:					
Net realized and unrealized gains on investments	<u>407,370</u>	<u>795,340</u>	<u>-</u>	<u>1,202,710</u>	<u>693,977</u>
CHANGE IN NET ASSETS	1,997,514	795,340	296,996	3,089,850	1,535,966
Net assets at beginning of year	<u>28,982,416</u>	<u>2,450,523</u>	<u>5,717,171</u>	<u>37,150,110</u>	<u>35,614,144</u>
Net assets at end of year	<u>\$30,979,930</u>	<u>\$3,245,863</u>	<u>\$6,014,167</u>	<u>\$40,239,960</u>	<u>\$37,150,110</u>

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

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
Statement of Activities
Year ended June 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
OPERATING:				
REVENUES, GAINS AND OTHER SUPPORT:				
Lot openings	\$ 2,181,249	\$ -	\$ -	\$ 2,181,249
Lot sales	1,640,982	-	-	1,640,982
Mausoleum sales	710,646	-	-	710,646
Grave boxes	592,895	-	-	592,895
Other revenue and services	599,600	-	-	599,600
Interest and dividends	908,140	278,932	-	1,187,072
Future care receipts	205,210	-	306,577	511,787
Parish reconfiguration - transfer from related organization (note I)	584,333	-	-	584,333
Net assets released from restrictions through satisfaction of program restrictions (note E)	<u>278,932</u>	<u>(278,932)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>7,701,987</u>	<u>-</u>	<u>306,577</u>	<u>8,008,564</u>
EXPENSES (note G):				
Program:				
Cost of sales	4,213,607	-	-	4,213,607
Selling expense	310,224	-	-	310,224
Maintenance expense	493,631	-	-	493,631
Operating supplies	<u>107,208</u>	<u>-</u>	<u>-</u>	<u>107,208</u>
Total program	5,124,670	-	-	5,124,670
Management and general:				
Salaries	1,224,069	-	-	1,224,069
Depreciation and amortization	388,539	-	-	388,539
Administrative support (note H)	110,318	-	-	110,318
Utilities and communications	218,929	-	-	218,929
Miscellaneous	<u>100,050</u>	<u>-</u>	<u>-</u>	<u>100,050</u>
Total management and general	<u>2,041,905</u>	<u>-</u>	<u>-</u>	<u>2,041,905</u>
Total expenses	<u>7,166,575</u>	<u>-</u>	<u>-</u>	<u>7,166,575</u>
Change in net assets before non-operating revenue	535,412	-	306,577	841,989
NON-OPERATING REVENUE:				
Net realized and unrealized gains on investments	<u>511,011</u>	<u>182,966</u>	<u>-</u>	<u>693,977</u>
CHANGE IN NET ASSETS	1,046,423	182,966	306,577	1,535,966
Net assets at beginning of year	<u>27,935,993</u>	<u>2,267,557</u>	<u>5,410,594</u>	<u>35,614,144</u>
Net assets at end of year	<u>\$28,982,416</u>	<u>\$2,450,523</u>	<u>\$5,717,171</u>	<u>\$37,150,110</u>

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

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
Statements of Cash Flows
Years ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
OPERATING ACTIVITIES:		
Change in net assets	\$3,089,850	\$ 1,535,966
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	472,342	388,539
Net realized and unrealized gains on investments	(1,202,710)	(693,977)
Future care receipts designated for long-term purposes	(296,996)	(306,577)
Changes in operating assets and liabilities:		
Interest and dividends receivable	(56,172)	(17,144)
Prepaid expenses and accounts receivable	27,427	78,577
Inventory	(278,425)	16,707
Due to other affiliated organizations	-	(274,338)
Accounts payable and accrued expenses	(81,605)	123,317
Deferred revenue	<u>510,132</u>	<u>506,087</u>
Net cash provided by operating activities	<u>2,183,843</u>	<u>1,357,157</u>
INVESTING ACTIVITIES:		
Purchase of land, buildings and equipment, net	(163,823)	(1,209,539)
Proceeds from the sale of investments	23,959	194,500
Purchases of investments	(3,440,211)	(10,748,467)
Withdrawals from the Corporation Sole - Revolving Loan Fund	<u>1,050,320</u>	<u>1,539,099</u>
Net cash used in investing activities	<u>(2,529,755)</u>	<u>(10,224,407)</u>
FINANCING ACTIVITIES:		
Future care receipts designated for long-term purposes	<u>296,996</u>	<u>306,577</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(48,916)	(8,560,673)
Cash and cash equivalents at beginning of year	<u>1,674,831</u>	<u>10,235,504</u>
Cash and cash equivalents at end of year	<u>\$1,625,915</u>	<u>\$ 1,674,831</u>

Summary of Non-Cash Activity:

During the year ended June 30, 2006 \$116,522 of construction in progress was transferred to inventory.

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

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
Notes to Consolidated Financial Statements
June 30, 2006 and 2005

NOTES A - NATURE OF ORGANIZATION

The Catholic Cemetery Association of the Archdiocese of Boston, Inc. (the "Association") is a legal entity that owns and operates twenty-three cemeteries and three mausolea within the geographic area of the Archdiocese of Boston. The operations of certain other Catholic cemeteries in the area, operated by local parishes and other unrelated organizations, are not included in the accompanying financial statements.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

The Association reports three classes of net assets and the changes in those net assets in the Statements of Financial Position and Statements of Activities, respectively. The three classes of net assets - unrestricted, temporarily restricted and permanently restricted - are based on the existence or absence of restrictions, either explicit or implicit. The three classifications are defined as follows:

Unrestricted net assets - Assets that are not restricted by a third-party or for which restrictions have expired. Unrestricted net assets also include amounts set aside for the care and maintenance of cemeteries.

Temporarily restricted net assets - Net assets subject to third-party imposed restrictions that permit the Association to use or expend the assets as specified and are satisfied by either the passage of time or by actions of the Association.

Permanently restricted net assets - Net assets subject to third-party imposed stipulations that they be maintained permanently by the Association, the investment income earned on these assets is to be used for the long-term care and maintenance of cemeteries and mausolea. Unexpended appreciation on permanently restricted net assets is recognized as temporarily restricted net assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

When a stipulated time restriction ends or purpose restriction is accomplished, such as expenditures for the care and maintenance of mausolea, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities as net assets released from restrictions.

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 approximately \$227,000 and \$115,000 at June 30, 2006 and 2005, respectively.

The Association deposits its cash in major financial institutions, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000 per institution. 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.

Deposits with the Corporation Sole - Revolving Loan Fund

The Association deposits funds to the Corporation Sole - Revolving Loan Fund ("Revolving Loan Fund") which is a savings and loan program of the Roman Catholic Archbishop of Boston, A Corporation Sole (the "Corporation Sole"). The Revolving Loan Fund was established as a vehicle for a highly liquid fixed income investment. All funds invested with the Revolving Loan Fund currently receive a 4% annual return and are available within one business day.

Investments

Investments are carried at fair value. Accordingly, changes in market values are reflected in the Statement of Activities as gains or losses on investments.

Investments include holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston (the "Common Investment Fund"), which invests primarily in equity and fixed-income securities. The Common Investment Fund is a separate related organization established to provide a common investment pool in which the Association and other Catholic organizations may participate. The participants own units based upon a per-unit value at the time of purchase. The Common Investment Fund incurs service fees from Corporation Sole for administrative and clerical services performed on behalf of the fund. These fees are reflected in the calculation of the value per unit.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventory

Inventories, supplies and resale products are valued at the lower of cost (determined on a first-in, first-out basis) or market.

Land, Buildings and Equipment

Land and land improvements, buildings and building improvements, and furniture and equipment are carried at cost. Land, cemetery and mausoleum development costs are amortized as cost of sales when graves and crypts are sold. 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, whereas major betterments are capitalized.

Revenue and Deferred Revenue Policies

The Association assists customers with either a "pre-need" or "at-need" service. Pre-need relate to parties contracting with the Association to provide future burial services. At-need relate to parties contracting with the Association for present burial services. Pre-need burial contracts are reflected as deferred revenue until interment or entombment occurs.

Future Care Funds

The Association sets aside 30% of all proceeds from mausolea sales which are deposited into a future care fund maintained by the Association and are included in restricted net assets as future care receipts within the Statements of Activities. The Association also voluntarily deposits 10% of all proceeds from cemetery plot sales into a future care fund. The latter is included in unrestricted net assets as future care receipts within the Statements of Activities.

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.

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
Notes to Consolidated Financial Statements - Continued
June 30, 2006 and 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 depreciation 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 2005 financial statements to conform to the 2006 presentation.

NOTE C - INVENTORY

Inventory consisted of the following at June 30:

	<u>2006</u>	<u>2005</u>
Mausolea	\$1,290,583	\$ 774,752
Land developments	782,587	806,095
Installed grave boxes	441,943	529,108
Grave boxes on hand	25,278	35,224
Columbaria	<u>39,183</u>	<u>39,448</u>
Total inventory	<u>\$2,579,574</u>	<u>\$2,184,627</u>

THE CATHOLIC CEMETERY ASSOCIATION OF THE ARCHDIOCESE OF BOSTON, INC.
Notes to Consolidated Financial Statements - Continued
June 30, 2006 and 2005

NOTE D - LAND, BUILDINGS AND EQUIPMENT

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

	<u>2006</u>	<u>2005</u>
Land and land improvements	\$5,780,896	\$5,696,409
Buildings and building improvements	1,403,347	1,507,268
Furniture and equipment	<u>2,663,373</u>	<u>2,596,637</u>
Total cost	9,847,616	9,800,314
Less accumulated depreciation	<u>(3,134,251)</u>	<u>(2,661,909)</u>
Net land, buildings and equipment	<u>\$6,713,365</u>	<u>\$7,138,405</u>

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purpose at June 30:

	<u>2006</u>	<u>2005</u>
Future care - mausolea	<u>\$3,245,863</u>	<u>\$2,450,523</u>

Net assets released from temporary restrictions through satisfaction of program restrictions were expended for the following purpose for the years ended June 30:

	<u>2006</u>	<u>2005</u>
Future care - mausolea	<u>\$303,705</u>	<u>\$278,932</u>

NOTE F - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets were restricted as follows at June 30:

	<u>2006</u>	<u>2005</u>
Future care - mausolea	<u>\$6,014,167</u>	<u>\$5,717,171</u>

NOTE G - PENSION PLANS

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"), a related organization. The Association's employees represent approximately 2% of all lay employees covered under this 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 \$138,200 and \$92,700 for the years ended June 30, 2006 and 2005, respectively.

Accumulated plan benefits information, 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, 2006, the audited financial statements of the Pension Plan reflected approximately \$258 million in net assets available for benefits and \$267 million in accumulated plan benefits.

NOTE H - RELATED PARTY TRANSACTIONS

The Association receives substantial administrative support from 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 Corporation Sole for the benefit of the Association are charged to the Association. Such expenses amounted to \$125,600 and \$110,300 during the years ended June 30, 2006 and 2005, respectively. The expense for these service fees is included in *Administrative support* in the accompanying Statements of Activities.

NOTE I - PARISH RECONFIGURATION - TRANSFER FROM RELATED ORGANIZATION

During fiscal year 2005, as a result of parish reconfiguration within Corporation Sole, the Association assumed responsibility for the operation of two cemeteries located in Marlborough, Massachusetts, and one cemetery located in Andover, Massachusetts. The transfer of ownership of the Marlborough cemeteries to the Association was completed in fiscal year 2005. Transfer of ownership of the Andover cemetery is expected to be completed in fiscal year 2007. The Association received \$1,695,149 and \$584,333 of assets as part of the cemetery transfers for support of the future operation of these cemeteries in fiscal years 2006 and 2005, respectively. The receipt of these assets is included as *Parish reconfiguration - transfer from related organization* in the accompanying Statements of Activities.

NOTE J - CONTINGENT LIABILITY

In the normal course of business, the Association provides its customers with the option of installment financing of their purchases with a local bank (the "Bank"). Under the terms of a Recourse Purchase Agreement (the "Agreement"), the Association is liable for the default of any and all customer retail sales contracts that have been sold by the Association to the Bank. "Default" is defined as any contract that is or becomes at least 90 days in arrears. At June 30, 2006, the Association was contingently liable for 160 contracts aggregating approximately \$431,000. No contracts were in default at June 30, 2006. During the course of fiscal year 2006, the Association made payments to the Bank under the terms of the Agreement, net of customer reimbursements, totaling \$5,400.