

**Audited
Financial Statements**

**Archdiocese of Boston
Clergy Medical/
Hospitalization Plan**

June 30, 2006

Archdiocese of Boston Clergy Medical/Hospitalization Plan

Audited Financial Statements

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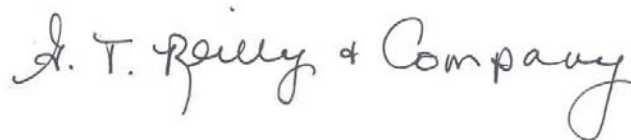
INDEPENDENT AUDITORS' REPORT

To the Trustee
Archdiocese of Boston Clergy Medical/Hospitalization Plan

We have audited the accompanying statements of benefit obligations and net assets available for benefits of the Archdiocese of Boston Clergy Medical/Hospitalization Plan as of June 30, 2006 and 2005, and the related statements of changes in benefit obligations and net assets available for benefits for each of the three years in the period ended June 30, 2006. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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 status of the Archdiocese of Boston Clergy Medical/Hospitalization Plan as of June 30, 2006 and 2005, and the changes in its financial status for each of the three years in the period ended June 30, 2006, in conformity with accounting principles generally accepted in the United States of America.



G. T. Reilly & Company

Milton, Massachusetts
October 20, 2006

Archdiocese of Boston Clergy Medical/Hospitalization Plan

Statements of Benefit Obligations and Net Assets Available for Benefits

June 30

	<u>2006</u>	<u>2005</u>
<u>BENEFIT OBLIGATIONS</u>		
Claims payable	\$ 500,177	\$ 452,116
Estimated claims incurred but not yet reported	<u>136,125</u>	<u>174,947</u>
TOTAL BENEFIT OBLIGATIONS	<u>636,302</u>	<u>627,063</u>
<u>NET ASSETS AVAILABLE FOR BENEFITS</u>		
<u>Assets</u>		
Cash and cash equivalents	119,691	69,315
Assessments receivable from participating entities, less allowance for uncollectibles of \$234,103 in 2006 and \$312,966 in 2005	<u>99,132</u>	<u>171,319</u>
Total Assets	<u>218,823</u>	<u>240,634</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>218,823</u>	<u>240,634</u>
DEFICIENCY IN NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	<u>\$ (417,479)</u>	<u>\$ (386,429)</u>

Archdiocese of Boston Clergy Medical/Hospitalization Plan

Statements of Changes in Benefit Obligations and Net Assets Available for Benefits

Year Ended June 30

	<u>2006</u>	<u>2005</u>	<u>2004</u>
<u>NET INCREASE (DECREASE) IN BENEFIT OBLIGATIONS</u>			
Claims payable	\$ 48,061	\$ 18,991	\$ (126,073)
Estimated claims incurred but not reported	<u>(38,822)</u>	<u>(9,098)</u>	<u>(68,011)</u>
NET INCREASE (DECREASE) IN BENEFIT OBLIGATIONS	<u>9,239</u>	<u>9,893</u>	<u>(194,084)</u>
<u>NET DECREASE IN NET ASSETS AVAILABLE FOR BENEFITS</u>			
ADDITIONS			
Assessments to participating entities	4,936,084	5,023,401	4,788,569
Support from Archdiocese of Boston Clergy Benefit Trust (Note 3)	100,000	500,000	300,000
Gifts and bequests	25,000	0	2,000
Interest income	204	127	4,919
Contribution from Archdiocese of Boston (Note 3)	<u>435,705</u>	<u>0</u>	<u>0</u>
TOTAL ADDITIONS	<u>5,496,993</u>	<u>5,523,528</u>	<u>5,095,488</u>
DEDUCTIONS			
Claims	5,262,571	5,193,272	5,387,437
Service fees (Note 3)	333,896	367,166	324,286
Provision for uncollectible assessments	(77,662)	(4,503)	(60,413)
Other expenses	<u>0</u>	<u>2,159</u>	<u>1,025</u>
TOTAL DEDUCTIONS	<u>5,518,805</u>	<u>5,558,094</u>	<u>5,652,335</u>
NET DECREASE IN NET ASSETS	(21,812)	(34,566)	(556,847)
DECREASE IN NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	(31,051)	(44,459)	(362,763)
(DEFICIENCY IN) EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS:			
BEGINNING OF YEAR	<u>(386,428)</u>	<u>(341,969)</u>	<u>20,794</u>
END OF YEAR	<u>\$ (417,479)</u>	<u>\$ (386,428)</u>	<u>\$ (341,969)</u>

Archdiocese of Boston Clergy Medical/Hospitalization Plan

Notes to Financial Statements

June 30, 2006

Note 1 - Description of Plan

The following brief description of the Archdiocese of Boston Clergy Medical/Hospitalization Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

General - The Archdiocese of Boston Clergy Medical/Hospitalization Plan ("the Plan") was established to provide certain medical and/or hospitalization coverage to incardinated priests of the Roman Catholic Archdiocese of Boston. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Assessments - The Plan charges assessments to parishes and other Catholic organizations within the Archdiocese of Boston, served by priests, for medical and hospitalization coverage.

Benefits - The Plan pays substantially all medical and hospitalization expenses of covered priests.

Note 2 - Significant Accounting Policies

Accounting Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets, liabilities, benefit obligations and changes during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash equivalents consist of uninsured money market mutual funds approximating \$900 at June 30, 2006. The Plan deposits its cash in major financial institutions, which are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$ 100,000. At times, such cash is in excess of FDIC insured limits. At June 30, 2006, the excess approximated \$37,000 based on bank balances. The Plan has not experienced any losses as a result of the use of uninsured amounts.

Assessments Receivable – Assessments receivable are stated net of an allowance for uncollectible accounts, which is reported on the face of the Plan's statement of benefit obligations and net assets available for benefits. The allowance is established via a provision for uncollectible assessments charged to operations. On a periodic basis, 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, based on a formula applied to the outstanding balances. Accounts are charged against the allowance when management believes that the collectibility of the specific account is unlikely.

Benefit Obligations – Benefit obligations consist of medical and dental claims payable, as well as claims incurred but not yet reported as of the fiscal year-end, which is estimated by management.

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

Archdiocese of Boston Clergy Medical/Hospitalization Plan

Notes to Financial Statements (Cont.)

June 30, 2006

Note 3 - Related Party Transactions

The Plan receives funding from the Archdiocese of Boston Clergy Benefit Trust, a related Trust, to cover claim expenses that exceed assessments received. During the year ended June 30, 2006, \$100,000 in funding was received (\$500,000 in 2005 and \$300,000 in 2004).

A service fee is charged to the Plan by the Roman Catholic Archbishop of Boston, A Corporation Sole, a related party, for administrative, technology and clerical services. The fees charged for the years ended June 30, 2006, 2005 and 2004 were approximately \$146,000, \$155,000 and \$136,000, respectively.

In July, 2000, the Roman Catholic Archbishop of Boston, in the spirit of the Jubilee Year, forgave certain parish obligations. One of these obligations was \$435,705 of outstanding assessments of the Plan. In fiscal year 2006, funds of Parish Reconfiguration totaling \$435,705 were used to restore the previous parish forgiven obligation.