

**REGINA CLERI, INCORPORATED**  
**FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND 2005**  
**TOGETHER WITH**  
**INDEPENDENT AUDITOR'S REPORT**

**REGINA CLERI, INCORPORATED**

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JUNE 30, 2006 AND 2005**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Regina Cleri, Incorporated:

We have audited the accompanying statements of financial position of Regina Cleri, Incorporated (a Massachusetts corporation, not for profit) (the Agency) 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 Agency'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 position of Regina Cleri, Incorporated 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.

*Alexander, Aronson, Finning & Co., P.C.*

Westborough, Massachusetts  
September 21, 2006

**REGINA CLERI, INCORPORATED**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2006 AND 2005**

<u>ASSETS</u>	2006				2005			
	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>PERMANENTLY RESTRICTED</u>	<u>TOTAL</u>
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 149,780	\$ -	\$ -	\$ 149,780	\$ 6,602	\$ -	\$ -	\$ 6,602
Deposits with the Corporation Sole - Revolving Loan Fund	158,124	-	-	158,124	152,042	-	-	152,042
Total cash and cash equivalents	307,904	-	-	307,904	158,644	-	-	158,644
Interest and dividends receivable	118,229	-	-	118,229	110,697	-	-	110,697
Prepaid expenses and other assets	12,324	-	-	12,324	25,946	-	-	25,946
Current portion of prepaid rent	218,994	-	-	218,994	205,475	-	-	205,475
Total current assets	657,451	-	-	657,451	500,762	-	-	500,762
<b>INVESTMENTS</b>	10,321,195	285,960	604,387	11,211,542	9,876,427	246,992	604,149	10,727,568
<b>PREPAID RENT</b> , net of current portion	4,278,396	-	-	4,278,396	4,497,390	-	-	4,497,390
<b>FURNITURE AND EQUIPMENT</b> , net of accumulated depreciation of \$564,932 and \$541,282 at June 30, 2006 and 2005, respectively	77,321	-	-	77,321	96,700	-	-	96,700
Total assets	<u>\$ 15,334,363</u>	<u>\$ 285,960</u>	<u>\$ 604,387</u>	<u>\$ 16,224,710</u>	<u>\$ 14,971,279</u>	<u>\$ 246,992</u>	<u>\$ 604,149</u>	<u>\$ 15,822,420</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>								
<b>CURRENT LIABILITIES -</b>								
Accounts payable and accrued expenses	\$ 155,520	\$ -	\$ -	\$ 155,520	\$ 133,887	\$ -	\$ -	\$ 133,887
<b>NET ASSETS:</b>								
Unrestricted -								
Undesignated	6,092,160	-	-	6,092,160	6,176,151	-	-	6,176,151
Furniture and equipment	77,321	-	-	77,321	96,700	-	-	96,700
Designated for endowment	9,009,362	-	-	9,009,362	8,564,541	-	-	8,564,541
Total unrestricted	15,178,843	-	-	15,178,843	14,837,392	-	-	14,837,392
Temporarily restricted	-	285,960	-	285,960	-	246,992	-	246,992
Permanently restricted	-	-	604,387	604,387	-	-	604,149	604,149
Total net assets	15,178,843	285,960	604,387	16,069,190	14,837,392	246,992	604,149	15,688,533
Total liabilities and net assets	<u>\$ 15,334,363</u>	<u>\$ 285,960</u>	<u>\$ 604,387</u>	<u>\$ 16,224,710</u>	<u>\$ 14,971,279</u>	<u>\$ 246,992</u>	<u>\$ 604,149</u>	<u>\$ 15,822,420</u>

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

## REGINA CLERI, INCORPORATED

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006			2005				
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
<b>OPERATING REVENUE:</b>								
Clergy Retirement/Disability Plan	\$ 1,795,642	\$ -	\$ -	\$ 1,795,642	\$ 1,840,488	\$ -	\$ -	\$ 1,840,488
Investment income	751,412	-	-	751,412	741,587	-	-	741,587
Contributions, gifts and bequests	320,363	-	238	320,601	237,759	-	-	237,759
Room and board	5,400	-	-	5,400	4,800	-	-	4,800
Other	980	-	-	980	614	-	-	614
Total operating revenue	<u>2,873,797</u>	<u>-</u>	<u>238</u>	<u>2,874,035</u>	<u>2,825,248</u>	<u>-</u>	<u>-</u>	<u>2,825,248</u>
<b>OPERATING EXPENSES:</b>								
Personnel and related -								
Salaries	1,257,672	-	-	1,257,672	1,227,151	-	-	1,227,151
Payroll taxes and employee benefits	337,296	-	-	337,296	326,153	-	-	326,153
Stipends	93,363	-	-	93,363	74,134	-	-	74,134
Health care contracted services	17,906	-	-	17,906	102,810	-	-	102,810
Total personnel and related	<u>1,706,237</u>	<u>-</u>	<u>-</u>	<u>1,706,237</u>	<u>1,730,248</u>	<u>-</u>	<u>-</u>	<u>1,730,248</u>
Occupancy -								
Rent	500,000	-	-	500,000	500,000	-	-	500,000
Utilities	157,796	-	-	157,796	144,000	-	-	144,000
Repairs and maintenance	87,052	-	-	87,052	55,249	-	-	55,249
Facility contracted services	81,389	-	-	81,389	73,317	-	-	73,317
Household supplies	29,137	-	-	29,137	29,198	-	-	29,198
Property taxes and insurance	26,942	-	-	26,942	29,756	-	-	29,756
Depreciation	23,650	-	-	23,650	20,978	-	-	20,978
Total occupancy	<u>905,966</u>	<u>-</u>	<u>-</u>	<u>905,966</u>	<u>852,498</u>	<u>-</u>	<u>-</u>	<u>852,498</u>
Other -								
Food	175,978	-	-	175,978	177,223	-	-	177,223
Professional fees	97,768	-	-	97,768	90,988	-	-	90,988
Infirmary supplies	27,942	-	-	27,942	24,357	-	-	24,357
Miscellaneous	11,713	-	-	11,713	19,579	-	-	19,579
Telephone	11,556	-	-	11,556	10,894	-	-	10,894
Dues and subscriptions	7,726	-	-	7,726	36,289	-	-	36,289
Office supplies	2,151	-	-	2,151	3,184	-	-	3,184
Printing and postage	2,132	-	-	2,132	2,930	-	-	2,930
Total other	<u>336,966</u>	<u>-</u>	<u>-</u>	<u>336,966</u>	<u>365,444</u>	<u>-</u>	<u>-</u>	<u>365,444</u>
Total operating expenses	<u>2,949,169</u>	<u>-</u>	<u>-</u>	<u>2,949,169</u>	<u>2,948,190</u>	<u>-</u>	<u>-</u>	<u>2,948,190</u>
Changes in net assets from operations	<u>(75,372)</u>	<u>-</u>	<u>238</u>	<u>(75,134)</u>	<u>(122,942)</u>	<u>-</u>	<u>-</u>	<u>(122,942)</u>
<b>NON-OPERATING REVENUE:</b>								
Unrealized gains on investments	416,823	38,968	-	455,791	254,895	23,446	-	278,341
Capital gifts	-	-	-	-	22,937	-	-	22,937
Gain on sale of equipment	-	-	-	-	4,200	-	-	4,200
Total non-operating revenue	<u>416,823</u>	<u>38,968</u>	<u>-</u>	<u>455,791</u>	<u>282,032</u>	<u>23,446</u>	<u>-</u>	<u>305,478</u>
Changes in net assets	341,451	38,968	238	380,657	159,090	23,446	-	182,536
<b>NET ASSETS, beginning of year</b>	<u>14,837,392</u>	<u>246,992</u>	<u>604,149</u>	<u>15,688,533</u>	<u>14,678,302</u>	<u>223,546</u>	<u>604,149</u>	<u>15,505,997</u>
<b>NET ASSETS, end of year</b>	<u>\$ 15,178,843</u>	<u>\$ 285,960</u>	<u>\$ 604,387</u>	<u>\$ 16,069,190</u>	<u>\$ 14,837,392</u>	<u>\$ 246,992</u>	<u>\$ 604,149</u>	<u>\$ 15,688,533</u>

The accompanying notes are an integral part of these statements.

**REGINA CLERI, INCORPORATED**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Changes in net assets	\$ 380,657	\$ 182,536
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(455,791)	(278,341)
Capital gifts	-	(22,937)
Gain on sale of equipment	-	(4,200)
Depreciation	23,650	20,978
Rent amortization	500,000	500,000
Interest income on rent amortization	(294,525)	(307,211)
Permanently restricted gift	(238)	-
Changes in operating assets and liabilities -		
Interest and dividends receivable	(7,532)	(4,544)
Prepaid expenses and other assets	13,622	(17,499)
Accounts payable and accrued expenses	21,633	44,796
Deferred revenue	-	(153,374)
	181,476	(39,796)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of furniture and equipment	(4,271)	(41,133)
Purchase of investments	(28,183)	(24,194)
Proceeds from sale of equipment	-	4,200
	(32,454)	(61,127)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Permanently restricted gift	238	-
Capital gifts	-	22,937
	238	22,937
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	149,260	(77,986)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	158,644	236,630
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 307,904	\$ 158,644
<b>NON-CASH TRANSACTIONS -</b>		
Cost basis of fully depreciated equipment sold or disposed	\$ -	\$ 15,270

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

**REGINA CLERI, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND 2005**

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**

**OPERATIONS AND NONPROFIT STATUS**

Regina Cleri, Incorporated (the Agency) is a nonprofit corporation incorporated in February, 1973. The Agency's primary goals are to maintain and conduct an institution to house, feed and care for retired priests of the Archdiocese of Boston. The Agency receives substantially all of its revenue from organizations related to the Archdiocese of Boston.

The Agency 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.

**SIGNIFICANT ACCOUNTING POLICIES**

Net Assets

**Unrestricted net assets** are those net resources that are not restricted by the donor or for which donor restrictions have expired and are generally available for use by the Agency. The Agency has grouped its unrestricted net assets into the following categories:

- **Undesignated** represents amounts that bear no external restrictions and are currently available for operations.
- **Furniture and equipment** represents the net book value of the Agency's furniture and equipment.
- **Designated for endowment** represents amounts which have been designated for long-term growth by the Board of Trustees.

**Temporarily restricted net assets** consist of appreciation on permanently restricted investments in accordance with Massachusetts state law and Financial Accounting Standards Board Statement No. 124 as of June 30, 2006 and 2005.

**Permanently restricted net assets** represent amounts that are restricted by donors against any expenditures of principal. Only the income may be used in accordance with Massachusetts state law.

Revenue Recognition

The Agency reports contributions, gifts and bequests as temporarily restricted support if they are received with donor stipulations that limit the use of the donated asset. When a donor's stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Donor restricted contributions, gifts and bequests received and satisfied in the same year are recorded as unrestricted net assets. Unrestricted and permanently restricted contributions, gifts and bequests are recognized when received or unconditionally committed.

Clergy Retirement/Disability Plan revenue and all other sources of income are recorded when earned.

**REGINA CLERI, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND 2005**  
(Continued)

(1) **OPERATIONS, NONPROFIT STATUS AND SIGNIFICANT ACCOUNTING POLICIES**  
(Continued)

**SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Furniture and Equipment and Depreciation

Furniture and equipment are recorded at cost. Donated furniture and equipment are recorded at fair value at the time of donation.

Depreciation of furniture and equipment is computed using the straight-line method over its estimated useful life of five years.

Expense Allocation

Expenses related directly to a program are distributed to that program while other expenses are allocated based upon management's estimate of the percentage attributable to each program. The Agency's cost of providing various programs and other activities for the years ended June 30, 2006 and 2005, are summarized on a functional basis as follows:

	<u>2006</u>	<u>2005</u>
Program	\$2,687,711	\$2,690,553
General and administrative	<u>261,458</u>	<u>257,637</u>
	<u>\$2,949,169</u>	<u>\$2,948,190</u>

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 approximating \$131,000 at June 30, 2006.

The Agency deposits its cash with the Corporation Sole – Revolving Loan Fund 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. The Agency has not experienced any losses as a result of the use of uninsured deposit accounts.

Estimates

The preparation of financial statements in accordance 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**REGINA CLERI, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND 2005**  
(Continued)

(2) **RELATED PARTY TRANSACTIONS**

The Archbishop of Boston appoints the members of the Agency who then approve the Board of Trustees.

The Archbishop of Boston, by virtue of his office, serves as chairman of the Board of numerous separately incorporated Catholic organizations that operate within the Archdiocese of Boston. These organizations are considered to be related organizations.

- **Roman Catholic Archbishop of Boston, A Corporation Sole (Corporation Sole)** provides accounting, payroll and fiscal management services to the Agency. The Agency paid Corporation Sole \$82,172 and \$78,949 for these services during fiscal years 2006 and 2005, respectively, which are included in professional fees in the accompanying statements of activities.
- **Common Investment Fund, Roman Catholic Archbishop of Boston (CIF).** The Agency invests excess cash through CIF. CIF pools these funds with other investors and invests in various instruments. As of June 30, 2006 and 2005, the Agency's investment in CIF had a market value of \$11,211,542 and \$10,727,568, respectively.
- **Roman Catholic Archbishop of Boston, A Corporation Sole - Revolving Loan Fund (RCAB Revolving Loan Fund).** As of June 30, 2006 and 2005, the Agency has \$158,124 and \$152,042, respectively, deposited in the RCAB Revolving Loan Fund.
- **Archdiocese of Boston Clergy Retirement/Disability Plan (Clergy Retirement).** Clergy Retirement pays the Agency a flat fee based on the Agency's budget for the operations of the Agency. During 2006 and 2005, the Agency received \$1,795,642 and \$1,840,488, respectively, from Clergy Retirement which is included in Clergy Retirement/Disability Plan in the accompanying statements of activities. The Agency also bills Clergy Retirement for room and board for one resident of the Agency. During fiscal years 2006 and 2005, the Agency billed Clergy Retirement \$5,400 and \$4,800, respectively, for these services.

In July, 1999, the Agency sold two buildings to Clergy Retirement. As part of the sale agreement, the Agency has a twenty-year prepaid lease on its main facility with Clergy Retirement (see Note 5).

- **Roman Catholic Archdiocese of Boston Pension Plan (the Pension Plan).** The Agency participates in the Pension Plan.

The Agency participates with other Catholic organizations in lay employee health, dental, life and disability benefit plans that are related organizations. Expenses incurred by the Agency for the benefit of lay employees under these plans were \$131,883 and \$139,194 for the years ended June 30, 2006 and 2005, respectively.

**REGINA CLERI, INCORPORATED**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006 AND 2005**  
(Continued)

**(3) INVESTMENTS**

The Agency records its investments at market value. Investments at June 30, 2006 and 2005, consist of the following:

	<u>2006</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
CIF		<u>\$6,852,616</u>	<u>\$11,211,542</u>	\$4,358,926
Unrealized appreciation as of June 30, 2005				<u>3,903,135</u>
Total unrealized gain for the year ended June 30, 2006				<u>\$ 455,791</u>
	<u>2005</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
CIF		<u>\$6,824,433</u>	<u>\$10,727,568</u>	\$3,903,135
Unrealized appreciation as of June 30, 2004				<u>3,624,794</u>
Total unrealized gain for the year ended June 30, 2005				<u>\$ 278,341</u>

Investment income consists of interest and dividends. Investments are recorded as long term assets in the accompanying financial statements based upon management's intent not to use these investments for current operations.

**(4) BENEFICIAL INTERESTS**

The Agency is a beneficiary under the terms of various trust agreements and wills. The exact value of such interests and the time at which rights to these interests become vested in the Agency is dependent upon certain future events over which the Agency has no control. Accordingly, the Agency has not recorded these interests in the accompanying financial statements.

**(5) SALE OF PROPERTIES AND PREPAID RENT**

In July, 1999, the Agency sold its main facility and a retreat house to Clergy Retirement/Disability Plan for \$10,350,000 in cash. The main facility was leased back to the Agency for \$5,667,798 of prepaid rent discounted at 6.4% over a twenty-year period. A portion of the proceeds was used to repay indebtedness of \$9,038,167. The Agency recognized interest income for the years ended June 30, 2006 and 2005, of \$294,525 and \$307,211, respectively. The Agency also recognized rent amortization of \$500,000 during 2006 and 2005. The interest income is included in investment income in the accompanying statements of activities.

**REGINA CLERI, INCORPORATED**

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006 AND 2005**

(Continued)

**(6) CONCENTRATIONS**

The Agency maintains a cash balance with the RCAB Revolving Loan Fund. This balance was approximately \$158,000 and \$152,000 at June 30, 2006 and 2005, respectively, and is uninsured. The Agency also maintains approximately \$11,200,000 and \$10,700,000 of investments in CIF for the years ended June 30, 2006 and 2005, respectively, which are uninsured and subject to ongoing market fluctuations.

The Agency received approximately 62% and 65% of its operating revenue from Clergy Retirement/Disability Plan for the years ended June 30, 2006 and 2005, respectively.

**(7) PENSION PLAN**

The Agency participates with other organizations affiliated with the Archdiocese 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 Agency's employees comprise less than 1% 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 Agency is based on payroll cost and amounted to \$62,972 and \$62,618 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 \$257.5 million in net assets available for benefits and \$267.3 million in accumulated plan benefits.