

**Audited
Financial Statements**

**Roman Catholic Archdiocese
of Boston Health Benefit Plan**

June 30, 2006

Roman Catholic Archdiocese of Boston Health Benefit Plan

Audited Financial Statements and Other Financial Information

June 30, 2006

INDEPENDENT AUDITORS' REPORT	1
AUDITED FINANCIAL STATEMENTS	
STATEMENTS OF BENEFIT OBLIGATIONS AND NET ASSETS AVAILABLE FOR BENEFITS	2
STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS AND NET ASSETS AVAILABLE FOR BENEFITS	3
NOTES TO FINANCIAL STATEMENTS	4
INDEPENDENT AUDITORS' REPORT ON OTHER FINANCIAL INFORMATION	6
OTHER FINANCIAL INFORMATION	
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES	7
SCHEDULES OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN CASH	8

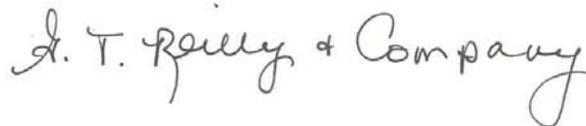
INDEPENDENT AUDITORS' REPORT

To the Trustees
Roman Catholic Archdiocese of Boston Health Benefit Plan

We have audited the accompanying statements of benefit obligations and net assets available for benefits of the Roman Catholic Archdiocese of Boston Health Benefit Plan as of June 30, 2006 and 2005, and the related statements of changes in benefit obligations and net assets available for benefits for the years then ended. 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 Roman Catholic Archdiocese of Boston Health Benefit Plan at June 30, 2006 and 2005, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.



G. T. Reilly & Company

Milton, Massachusetts
October 19, 2006

Roman Catholic Archdiocese of Boston Health Benefit Plan

Statements of Benefit Obligations and Net Assets Available for Benefits

June 30

	<u>2006</u>	<u>2005</u>
BENEFIT OBLIGATIONS		
Claims payable and estimated claims incurred but not reported (Note 2)	\$ <u>5,438,638</u>	\$ <u>6,488,036</u>
NET ASSETS AVAILABLE FOR BENEFITS		
<u>Assets</u>		
Cash	7,583,670	9,451,028
Cash equivalents (Note 2)	18,754,859	5,669,256
Participating employers' contributions receivable less allowance for uncollectibles of \$583,729 in 2006 and \$583,726 in 2005 (Note 2)	2,884,086	4,049,312
Other receivable	<u>245,403</u>	<u>242,066</u>
Total Assets	29,468,018	19,411,662
<u>Liabilities</u>		
Accounts payable and accrued expenses (Note 3)	<u>69,352</u>	<u>89,208</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>29,398,666</u>	<u>19,322,454</u>
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS		
Board-designated (Note 4)	7,146,524	6,805,067
Excess of board-designated	<u>16,813,504</u>	<u>6,029,351</u>
	<u>\$23,960,028</u>	<u>\$12,834,418</u>

Roman Catholic Archdiocese of Boston Health Benefit Plan

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

Year Ended June 30

	<u>2006</u>	<u>2005</u>
NET DECREASE IN BENEFIT OBLIGATIONS		
Claims payable and estimated claims incurred but not reported	\$ (1,049,398)	\$ (1,386,965)
NET INCREASE IN NET ASSETS AVAILABLE FOR BENEFITS		
ADDITIONS		
Employers' contributions:		
Health plan	70,587,432	66,788,474
Dental plan	<u>1,697,154</u>	<u>1,660,550</u>
	72,284,586	68,449,024
Interest and other income	716,411	225,144
Contribution from the Archdiocese of Boston (Note 5)	<u>2,645,433</u>	<u>0</u>
TOTAL ADDITIONS	<u>75,646,430</u>	<u>68,674,168</u>
DEDUCTIONS		
Health Claims	59,631,136	56,658,870
Dental Claims	<u>1,440,417</u>	<u>1,478,936</u>
	61,071,553	58,137,806
General and administrative expenses	<u>4,498,665</u>	<u>4,415,152</u>
TOTAL DEDUCTIONS	<u>65,570,218</u>	<u>62,552,958</u>
NET INCREASE IN NET ASSETS	<u>10,076,212</u>	<u>6,121,210</u>
INCREASE IN EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	11,125,610	7,508,175
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS:		
BEGINNING OF YEAR	<u>12,834,418</u>	<u>5,326,243</u>
END OF YEAR	<u>\$23,960,028</u>	<u>\$12,834,418</u>

Roman Catholic Archdiocese of Boston Health Benefit Plan

Notes to Financial Statements

June 30, 2006

Note 1 - Description of Plan

The following brief description of the Roman Catholic Archdiocese of Boston Health Benefit Plan ("the Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

General - The Plan provides health and dental benefits for substantially all employees who work for a participating employer. All participating employers are separately incorporated Catholic organizations that operate within the Archdiocese of Boston.

Eligibility for Participation - Eligible participants are employees who work 20 hours per week and at least 1,000 hours, and school employees must work 24 hours per week, unless the employee is covered by a collective bargaining agreement, and then that employee must work at least 16 hours per week. For all employees desiring coverage, participation begins the first day of the next month following employment.

Benefits - The Plan covers the employees, their spouses, all unmarried, dependent children up to nineteen years of age, and children of unmarried, dependent children under nineteen years of age. The Plan also provides health benefits for unmarried, dependent children who are full-time students at an accredited educational or vocational institute until age twenty-five. Payment of medical benefits is made from Plan assets with a maximum life time benefit of \$1,650,000. Dental benefits are self-funded. The maximum dental benefit remains at \$1,250 per person, per year.

Contributions - The Plan agreement provides that the participating employers make monthly contributions to the Plan of a specified amount for each class of employee. The employer's contribution rates are determined annually by the Plan's trustees.

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 therein. Actual results could differ from those estimates.

Cash and Cash Equivalents – For purposes of presentation of the statement of net assets, cash includes all bank accounts and overnight investments from the accounts. Cash equivalents are short term, highly liquid investments with original maturities of three months or less and are reported at cost, which approximates fair value. Cash equivalents consist of investments in uninsured money market mutual funds approximating \$18,755,000 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 \$7,506,000 based on bank balances. The Plan has not experienced any losses as a result of the use of uninsured amounts.

Roman Catholic Archdiocese of Boston Health Benefit Plan

Notes to Financial Statements (Cont.)

June 30, 2006

Note 2 - Significant Accounting Policies (Cont.)

Participating Employers' Contributions Receivable – Amounts receivable from participating employers 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. On a periodic basis, management evaluates its receivables 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 evaluations of the collectibility of individual accounts.

Reclassification - Certain expense amounts reported in the 2005 statement of activities and changes in benefit obligations and net assets available for benefits have been retroactively reclassified within the expense section in order to conform to the 2006 classifications. These reclassifications have had no effect on the increase in net assets as previously reported for 2005.

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 are estimated by the Plan's actuaries in accordance with accepted actuarial principles. There are no post-retirement benefit obligations associated with this Plan.

Note 3 - Related Party Transactions

A service fee for administrative, technology and clerical services is charged to the Plan by the Roman Catholic Archbishop of Boston, A Corporation Sole. The fees charged for the years ended June 30, 2006 and 2005 were approximately \$293,600 and \$292,200, respectively. At June 30, 2006, the amount due for these services was \$403 (\$1,817 at June 30, 2005).

Note 4 – Board-Designated Net Assets

In a prior year, the Board of Trustees voted to establish a targeted reserve of net assets. Effective for fiscal 2005, the methodology to calculate the reserve is 10% of the annualized subsequent July premium. At June 30, 2006 and 2005 the net assets available is sufficient to satisfy this reserve and is presented in net assets as board-designated net assets.

Note 5 - Contribution from the Archdiocese of Boston

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 \$2,645,433 of outstanding assessments of the Plan. In fiscal year 2006, funds from Parish Reconfiguration totaling \$2,645,433 were used to restore the previous parish forgiven obligation.

Note 6 - Financial Instruments and Concentrations of Credit Risk

The Plan's financial instruments that are potentially subject to concentrations of credit risk consist of cash and equivalents (Note 2) and contributions receivable from participating employers, which are periodically evaluated for their collectibility.

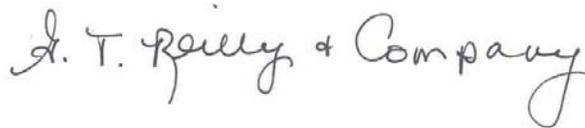
G.T. Reilly & Company
Internationally,
Moore Stephens Reilly, P.C.
Reilly Consulting Group, Inc.
ReillyTech
Reilly Benefits
Reilly Small Business Group

INDEPENDENT AUDITORS' REPORT

To the Trustees
Roman Catholic Archdiocese of Boston Health Benefit Plan

The audited financial statements of the Plan, and our report thereon, are presented in the preceding section of this report.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of general and administrative expenses, and cash receipts and disbursements, for the years ended June 30, 2006 and 2005, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits 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.



G. T. Reilly & Company

Milton, Massachusetts
October 19, 2006

Roman Catholic Archdiocese of Boston Health Benefit Plan

Schedules of General and Administrative Expenses

Year Ended June 30

	<u>2006</u>	<u>2005</u>
Service Fees:		
Medical claim processing fees	\$3,989,424	\$3,970,325
Consulting	81,764	70,935
Professional	73,885	38,045
Administration - Roman Catholic Archbishop of Boston, A Corporation Sole	<u>293,632</u>	<u>292,153</u>
	4,438,705	4,371,458
Office and other administrative expenses	<u>59,960</u>	<u>43,694</u>
	<u>\$4,498,665</u>	<u>\$4,415,152</u>

Roman Catholic Archdiocese of Boston Health Benefit Plan

Schedules of Cash Receipts and Disbursements and Changes in Cash

Year Ended June 30, 2006

	<u>2006</u>	<u>2005</u>
CASH RECEIPTS		
Employers' contributions	\$73,449,812	\$66,688,302
Interest and other income	716,411	225,144
Contribution from the Archdiocese of Boston	<u>2,645,433</u>	<u>0</u>
	<u>76,811,656</u>	<u>66,913,446</u>
CASH DISBURSEMENTS		
Claims paid	61,074,890	58,137,806
General and administrative expenses paid	4,518,522	4,680,276
Purchase of cash equivalents	<u>13,085,602</u>	<u>116,180</u>
	<u>78,679,014</u>	<u>62,934,262</u>
CASH RECEIPTS (UNDER) OVER CASH DISBURSEMENTS	(1,867,358)	3,979,184
CASH AT BEGINNING OF YEAR, excluding cash equivalents	<u>9,451,028</u>	<u>5,471,844</u>
CASH AT END OF YEAR, excluding cash equivalents	<u>\$ 7,583,670</u>	<u>\$ 9,451,028</u>