

**Audited  
Financial Statements**

**Roman Catholic Archdiocese  
of Boston Pension Plan**

**June 30, 2006**

# Roman Catholic Archdiocese of Boston Pension Plan

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## Audited Financial Statements and Other Financial Information

June 30, 2006

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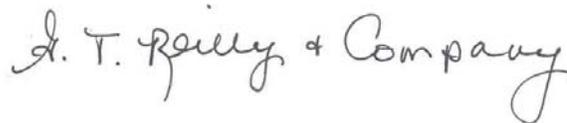
INDEPENDENT AUDITORS' REPORT

To the Trustees  
Roman Catholic Archdiocese of Boston Pension Plan

We have audited the accompanying statements of net assets available for benefits and of accumulated plan benefits of the Roman Catholic Archdiocese of Boston Pension Plan as of June 30, 2006 and 2005, and the related statements of changes in net assets available for benefits and of changes in accumulated plan 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 Pension 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 13, 2006

# Roman Catholic Archdiocese of Boston Pension Plan

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## Statements of Net Assets Available for Benefits

June 30

	<u>2006</u>	<u>2005</u>
<b><u>Assets</u></b>		
Investments, at fair value (Notes 2 & 3) Roman Catholic Archbishop of Boston Collective Investment Partnership	<b>\$250,321,808</b>	\$218,838,380
Participating employers' receivables Less allowance for uncollectibles of \$399,376 in 2006 and \$399,486 in 2005	<b>1,204,260</b>	1,314,558
Prepaid expense	<b>592,577</b>	0
Cash and cash equivalents	<b><u>5,610,397</u></b>	<u>6,281,241</u>
TOTAL ASSETS	<b><u>257,729,042</u></b>	<u>226,434,179</u>
<b><u>Liabilities</u></b>		
Accounts payable and accrued expenses	<b>110,838</b>	164,878
Due to related organization (Note 7)	<b><u>43,615</u></b>	<u>0</u>
TOTAL LIABILITIES	<b><u>154,453</u></b>	<u>164,878</u>
<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b><u>\$257,574,589</u></b>	<b><u>\$226,269,301</u></b>

# Roman Catholic Archdiocese of Boston Pension Plan

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## Statements of Changes in Net Assets Available for Benefits

Year Ended June 30

	<u>2006</u>	<u>2005</u>
<b>ADDITIONS</b>		
Investment income:		
Interest	\$ 276,155	\$ 78,530
Net appreciation in fair value of investments (Note 3)	<u>18,483,428</u>	<u>14,197,640</u>
	<u>18,759,583</u>	<u>14,276,170</u>
Contributions:		
Assessments to participating employers (Note 4)	<u>22,989,884</u>	<u>10,262,614</u>
	<u>41,749,467</u>	<u>24,538,784</u>
<b>DEDUCTIONS</b>		
Benefits paid directly to participants	9,514,325	8,615,210
General and administrative expenses	929,854	661,721
Writedowns & provisions for uncollectible assessments	<u>0</u>	<u>3,925</u>
	<u>10,444,179</u>	<u>9,280,856</u>
<b>NET INCREASE IN NET ASSETS</b>	<b>31,305,288</b>	15,257,928
<b>NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR</b>	<b><u>226,269,301</u></b>	<b><u>211,011,373</u></b>
<b>NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR</b>	<b><u>\$257,574,589</u></b>	<b><u>\$226,269,301</u></b>

# Roman Catholic Archdiocese of Boston Pension Plan

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## Statements of Accumulated Plan Benefits

June 30

	<u>2006</u>	<u>2005</u>
<b>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS</b>		
Vested benefits:		
Retired participants currently receiving payments	<b>\$ 90,738,556</b>	\$ 80,100,603
Other participants	<b><u>170,869,313</u></b>	<u>165,795,756</u>
	<b>261,607,869</b>	245,896,359
Non-vested benefits	<b><u>5,686,761</u></b>	<u>5,711,453</u>
<b>TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS</b>	<b><u>\$267,294,630</u></b>	<b><u>\$251,607,812</u></b>

# Roman Catholic Archdiocese of Boston Pension Plan

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## Statements of Changes in Accumulated Plan Benefits

Year Ended June 30

	<u>2006</u>	<u>2005</u>
<b>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT BEGINNING OF YEAR</b>	<b><u>\$251,607,812</u></b>	<b><u>\$231,401,862</u></b>
<b>INCREASE (DECREASE) DURING THE YEAR ATTRIBUTABLE TO:</b>		
Benefits accumulated (Note 1)	<b>8,516,139</b>	10,716,829
Increase for interest, due to the decrease in the discount period	<b>16,684,847</b>	15,402,642
Benefits paid	<b>(9,514,168)</b>	(8,615,210)
Change in actuarial assumptions (Note 2)	<b><u>0</u></b>	<u>2,701,689</u>
<b>NET INCREASE</b>	<b><u>15,686,818</u></b>	<u>20,205,950</u>
<b>ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT END OF YEAR</b>	<b><u>\$267,294,630</u></b>	<b><u>\$251,607,812</u></b>

# Roman Catholic Archdiocese of Boston Pension Plan

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## Notes to Financial Statements

June 30, 2006

### Note 1 - Description of Plan

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

General - The Plan is a noncontributory defined benefit pension plan covering substantially all lay employees who work for a participating employer. All participating employers are separately incorporated Catholic organizations that operate within the Archdiocese of Boston. The Plan provides benefits for normal, early, disability and postponed retirement.

Eligibility for Participation - For all employees, participation begins on the first day of the month following the later of (a) the date the employer joins the Plan, or (b) the earlier of the completion of three years of service or the attaining of age 21, with one year of service.

Pension Benefits - The total annual amount of accrued pension benefits beginning at normal retirement age of 65 with five years of service is equal to the sum of the following:

- (a) 133-1/3% of the annual amount of pension, if any, accrued by such participant through June 30, 1987 under the terms of the Plan as constituted on that date;
- (b) 2% of annual earnings for each year of service completed after June 30, 1987 and on or before December 31, 2003, plus 0.47% of the earnings after 1994 that exceed twice the covered compensation;
- (c) 2% of annual earnings for each year of service completed after December 31, 2003 up to a maximum of \$20,000 per year plus 1% of earnings that exceed \$20,000;

# Roman Catholic Archdiocese of Boston Pension Plan

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## Notes to Financial Statements (Cont.)

June 30, 2006

### Note 1 - Description of Plan (Cont.)

- (d) With respect to a participant who has met the eligibility requirements and becomes covered on the date his or her employer becomes a participating employer, 2% of his or her annual rate of earnings begins to accrue. The participant receives time worked credit effective the date he or she was hired.

A participant is eligible for early retirement by election or disability. A participant who is 55 years of age and has 5 years of service credit may elect to receive early pension benefits. A participant who has 5 years of service credit, who is at least 55 and who is totally and permanently disabled is entitled to early pension benefits. The annual amount of early pension benefits payable to an eligible participant contains an actuarial reduction in normal benefits because of an earlier retirement age. As of July 1, 1984, a 50% Survivor Spouse Pre-Retirement Death Benefit is applicable to all vested participants who have been married to their spouse for at least one year at the date of death.

A participant may continue in the employ of the participating employer after the normal retirement age. The participant will continue to accrue pension benefits until actual retirement.

Participants who have completed five years of service are 100% vested. Participants hired after age 60 are fully vested after completing five years of service credit.

The Plan includes a post-retirement life insurance benefit whereby participants retiring from active employment are entitled to receive a benefit of up to a maximum of \$10,000. This benefit is pro-rated for retiring participants with service of less than 10 years.

### Note 2 - Summary of Significant Accounting Policies

The significant accounting policies followed by the Plan are described below:

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

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 of assets, liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Actual results could differ from those estimates.

# Roman Catholic Archdiocese of Boston Pension Plan

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## Notes to Financial Statements

June 30, 2006

### Note 2 - Summary of Significant Accounting Policies (Cont.)

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.

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 \$2,798,000 based on bank balances. Cash equivalents consist of investments in uninsured money market mutual funds approximating \$3,342,000 at June 30, 2006. The Plan has not experienced any losses as a result of the use of uninsured amounts

Participating Employers’ Receivables – 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 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.

Valuation of Investments - Investments are stated at fair value, based on the latest quoted market prices as of the financial statement date. Realized and unrealized gains and losses on investments are reflected in the statement of changes in net assets available for benefits.

Securities Transactions and Investment Income - Securities transactions are recorded on a settlement date basis. Interest income is recorded on the accrual basis.

Actuarial Present Value of Accumulated Plan Benefits - Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan’s provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances (retirement, death, disability, and termination of employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits is determined by an actuary from CCA Strategies in 2006 and Towers Perrin Co. in 2005, and is that amount that results from applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

# Roman Catholic Archdiocese of Boston Pension Plan

## Notes to Financial Statements (Cont.)

June 30, 2006

### Note 2 - Summary of Significant Accounting Policies (Cont.)

The significant actuarial assumptions used in the valuations as of June 30 are as follows:

	<u>2006</u>	<u>2005</u>																																												
1. Investment return	6.5%	6.5%																																												
2. Salary increases	N/A	N/A																																												
3. Cost of living increases	N/A	N/A																																												
4. Future expenses	4%	4%																																												
5. Mortality	RP 2000 Projected to 2020 (sex distinct), No Collar Adjustments	RP 2000 Projected to 2020 (sex distinct) No Collar Adjustments																																												
6. Termination	<table border="0" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="2" style="text-align: center;"><u>2006</u></th> <th colspan="2" style="text-align: center;"><u>2005</u></th> </tr> <tr> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: right;"><u>Annual Rate</u></th> <th style="text-align: left;"><u>Age</u></th> <th style="text-align: right;"><u>Annual Rate</u></th> </tr> </thead> <tbody> <tr><td>25</td><td style="text-align: right;">.318</td><td>25</td><td style="text-align: right;">.318</td></tr> <tr><td>30</td><td style="text-align: right;">.234</td><td>30</td><td style="text-align: right;">.234</td></tr> <tr><td>35</td><td style="text-align: right;">.170</td><td>35</td><td style="text-align: right;">.170</td></tr> <tr><td>40</td><td style="text-align: right;">.125</td><td>40</td><td style="text-align: right;">.125</td></tr> <tr><td>45</td><td style="text-align: right;">.089</td><td>45</td><td style="text-align: right;">.089</td></tr> <tr><td>50</td><td style="text-align: right;">.057</td><td>50</td><td style="text-align: right;">.057</td></tr> <tr><td>55</td><td style="text-align: right;">.000</td><td>55</td><td style="text-align: right;">.000</td></tr> <tr><td>60</td><td style="text-align: right;">.000</td><td>60</td><td style="text-align: right;">.000</td></tr> <tr><td>65</td><td style="text-align: right;">.000</td><td>65</td><td style="text-align: right;">.000</td></tr> </tbody> </table>	<u>2006</u>		<u>2005</u>		<u>Age</u>	<u>Annual Rate</u>	<u>Age</u>	<u>Annual Rate</u>	25	.318	25	.318	30	.234	30	.234	35	.170	35	.170	40	.125	40	.125	45	.089	45	.089	50	.057	50	.057	55	.000	55	.000	60	.000	60	.000	65	.000	65	.000	
<u>2006</u>		<u>2005</u>																																												
<u>Age</u>	<u>Annual Rate</u>	<u>Age</u>	<u>Annual Rate</u>																																											
25	.318	25	.318																																											
30	.234	30	.234																																											
35	.170	35	.170																																											
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50	.057	50	.057																																											
55	.000	55	.000																																											
60	.000	60	.000																																											
65	.000	65	.000																																											
7. Retirement age	Age 67	Age 67																																												
8. Form of payment	Life annuity	Life annuity																																												

The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated plan benefits.

2004 Change in Actuarial Assumptions - Effective July 1, 2004, the mortality table was changed to the RP-2000 Mortality Table, which increased accumulated plan benefits by approximately \$3 million. The effect of the change in assumptions is reflected in the accompanying financial statements for the year ended June 30, 2005.

### Note 3 - Investments

The following table presents a comparison of the cost and fair value of investments at June 30:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Roman Catholic Archdiocese of Boston Collective Investment Partnership	<u>\$149,513,991</u>	<u>\$250,321,808</u>	<u>\$136,513,981</u>	<u>\$218,838,380</u>

# Roman Catholic Archdiocese of Boston Pension Plan

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## Notes to Financial Statements (Cont.)

June 30, 2006

### Note 3 - Investments (Cont.)

During the years ended June 30, 2006 and 2005, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated in value as follows:

	<u>2006</u>	<u>2005</u>
Roman Catholic Archbishop of Boston Collective Investment Partnership	<u>\$18,483,428</u>	<u>\$14,197,640</u>

Roman Catholic Archbishop of Boston Collective Investment Partnership is an investment fund whose assets consist primarily of equity and fixed-income securities. The Plan is a partner in this partnership, along with other partners who are related organizations within the Archdiocese of Boston. Corporate securities are invested in a broad range of diverse industries.

### Note 4 - Funding Policy

Effective July 1, 2004, a funding policy was implemented such that a calculated (or target) contribution level for each funding location would be equal to the normal cost (i.e., the present value of benefits expected to accrue over the next plan year) plus an amortization of the deficit, if any, as of the valuation date. This amortization is intended to eliminate any funding deficits by January 1, 2015.

During the year ended June 30, 2006, the Archdiocese of Boston (RCAB) was assessed an additional \$12.7 million over its current contribution rate. The closing of many participating parishes and a change in the actuarial assumptions for mortality in a prior year, helped create a gap between the current rate assessed and the calculated rate. The RCAB agreed to pay a one-time assessment from the reconfiguration funds in lieu of increasing the current rate in future years.

### Note 5 - Plan Termination

Although they have not expressed any intention to do so, the Trustees may completely or partially amend or terminate the Plan at any time.

Upon termination, the Plan allows available Plan assets to be allocated in accordance with any reasonable method selected by the Trustees, including the reversion of any excess monies remaining after satisfaction of all liabilities to each participating employer on the date of termination.

### Note 6 - 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 \$368,000 and \$308,200, respectively.

At June 30, 2006, \$43,615 is due to the Caritas Christi Retirement Plan and Trust, representing amounts owed to adjust for certain operating activities.

# Roman Catholic Archdiocese of Boston Pension Plan

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## Notes to Financial Statements (Cont.)

June 30, 2006

### Note 7 - Financial Instruments and Concentrations of Credit Risk

The Pension Plan's financial instruments that are potentially subject to concentrations of credit risk consist of cash and cash equivalents (Note 2), investments and accounts receivable (Note 2) from participating employers.

Investments in the Collective Investment Partnership (Note 3) consist of both debt and equity investments in both corporate and U.S. Government entities.

### Note 8 – Tax Status

The Plan received a favorable determination letter from the Internal Revenue Service, dated June 16, 2005 stating that the Plan, with amendments made through December 31, 2003, meets the requirements of a church plan and is, therefore, exempt from federal income taxes under IRS Section 501(a). The Plan has since been amended and restated. The Trustees believe that the Plan is currently being operated in compliance with applicable requirements of the Internal Revenue Code and remains, therefore, exempt from federal income taxes.

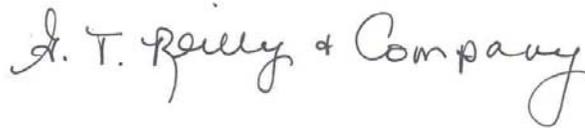
G.T. Reilly & Company  
Internationally,  
Moore Stephens Reilly, P.C.  
Reilly Consulting Group, Inc.  
ReillyTech  
Reilly Benefits  
Reilly Small Business Group

## INDEPENDENT AUDITORS' REPORT

To the Trustees  
Roman Catholic Archdiocese of Boston Pension 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 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 13, 2006

# Roman Catholic Archdiocese of Boston Pension Plan

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## Schedules of General and Administrative Expenses

Year Ended June 30

	<u>2006</u>	<u>2005</u>
Service Fees:		
Actuarial and consulting	\$ 253,491	\$ 201,290
Professional	269,334	116,485
Administration - Roman Catholic Archbishop of Boston, A Corporation Sole	<u>367,985</u>	<u>308,166</u>
	<u>890,810</u>	<u>625,941</u>
Office and other administrative expenses	<u>39,044</u>	<u>35,780</u>
	<u>\$ 929,854</u>	<u>\$ 661,721</u>