Audited
Financial Statements

Archdiocese of Boston
Clergy Retirement/
Disability Plan

June 30, 2007

G.T. Reilly
& Company
Certified Public Accountants/Business Consultants

Archdiocese of Boston Clergy Retirement/Disability Plan

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Internationally,
Moore Stephens Reilly, P.C.
Reilly Consulting Group, Inc.
ReillyTech
Reilly Benefits
Reilly Small Business Group

INDEPENDENT AUDITORS' REPORT

To the Trustee
Archdiocese of Boston Clergy Retirement/Disability Plan

We have audited the accompanying statements of net assets available for benefits and of accumulated plan benefits and benefit obligations of the Archdiocese of Boston Clergy Retirement/Disability Plan as of June 30, 2007 and 2006, and the related statements of changes in net assets available for benefits and of accumulated plan benefits and benefit obligations for each of the three years in the period ended June 30, 2007. 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 Retirement/Disability Plan as of June 30, 2007 and 2006, and the changes in its financial status for each of the three years in the period ended June 30, 2007, in conformity with accounting principles generally accepted in the United States of America.

G. T. Reilly & Company

G. T. Reilly & Company

Milton, Massachusetts
November 28, 2007

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Statements of Net Assets Available for Benefits

June 30

	2007	2006
Assets		
Investments, at fair value (Note 3)		
Roman Catholic Archbishop of Boston:		
Collective Investment Partnership	**$41,044,386**	$43,151,704
Common Investment Fund	**515,375**	0
Fixed Income Investment Fund	**980,523**	0
	42,540,284	43,151,704
Cash and cash equivalents	**3,779,607**	1,256,611
Accrued interest and dividends receivable	**16,916**	0
Prepaid expenses	**0**	252,473
Property leased to Regina Cleri, Incorporated, net (Notes 4 & 7)	**15,100,689**	15,392,293
TOTAL ASSETS	**61,437,496**	60,053,081
Liabilities		
Accounts payable and accrued expenses	**47,465**	46,423
Deferred lease income (Note 7)	**4,278,396**	4,497,390
TOTAL LIABILITIES	**4,325,861**	4,543,813
Net Assets		
Net assets available for benefits	**$57,111,635**	$55,509,268

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

Archdiocese of Boston Clergy Retirement/Disability Plan

Statements of Changes in Net Assets Available for Benefits

Year Ended June 30

	2007	2006	2005
ADDITIONS			
Investment Income (Note 3):			
Interest	**$ 57,321**	$ 61,730	$ 31,832
Dividends	**35,479**	0	0
Net realized & unrealized gains on investments	**5,363,580**	3,885,425	3,343,251
	5,456,380	3,947,155	3,375,083
Other Income:			
Gifts, bequests and contributions (Note 2)	**16,708**	1,425,698	6,000
Collections from parishes	**0**	58,112	4,914,104
Rental income (Note 7)	**500,000**	500,000	500,000
	516,708	1,983,810	5,420,104
TOTAL ADDITIONS	**5,973,088**	5,930,965	8,795,187
DEDUCTIONS			
Health insurance (Note 7)	**1,788,345**	1,763,125	1,719,250
Room and board	**4,772,283**	5,052,769	5,416,133
Retirement benefits	**3,926,659**	3,783,668	3,673,288
Disability benefits	**525,572**	284,673	230,433
Professional and service fees (Note 7)	**252,759**	327,927	339,895
Interest expense (Note 7)	**281,006**	294,525	307,391
Depreciation expense (Note 4)	**323,798**	263,781	265,968
Miscellaneous	**299**	8,047	7,923
TOTAL DEDUCTIONS	**11,870,721**	11,778,515	11,960,281
NET DECREASE	**(5,897,633)**	(5,847,550)	(3,165,094)
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	**55,509,268**	61,356,818	64,521,912
TRANSFER FROM ARCHDIOCESE OF BOSTON CLERGY BENEFIT TRUST (Note 7)	**7,500,000**	0	0
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	**$57,111,635**	$55,509,268	$61,356,818

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

Statements of Accumulated Plan Benefits and Benefit Obligations

Year Ended June 30

	2007	2006
ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS (Note 2)		
Retired and disabled participants currently receiving pension benefits	**$ 66,950,962**	$ 67,491,802
Other participants	**50,047,562**	53,801,644
TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS	**116,998,524**	121,293,446
ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS (Note 2)		
Retired and disabled participants currently receiving health, dental and subsistence benefits	**23,436,685**	22,926,342
Other participants	**23,238,902**	21,545,601
TOTAL ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS	**46,675,587**	44,471,943
TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS	**$163,674,111**	$165,765,389

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

Statements of Changes in Accumulated Plan Benefits and Benefit Obligations

Year Ended June 30

	2007	2006	2005
CHANGES IN ACCUMULATED PENSION PLAN BENEFITS			
ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS AT BEGINNING OF YEAR	**$121,293,446**	$133,454,089	$128,215,541
(DECREASE) INCREASE DURING THE YEAR ATTRIBUTABLE TO:			
Benefits accumulated (settled)	**(5,897,528)**	(11,513,795)	5,743,324
Increase for interest due to the decrease in the discount period (Note 2)	**7,675,333**	8,474,262	8,775,739
Benefits paid	**(9,224,514)**	(9,121,110)	(9,319,854)
Changes in plan provisions (Note 1)	**4,015,884**	0	0
Changes in assumptions (Note 1)	**(864,097)**	0	39,339
Net (decrease) increase	**(4,294,922)**	(12,160,643)	5,238,548
ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS AT END OF YEAR	**$116,998,524**	$121,293,446	$133,454,089
CHANGES IN OTHER POST-RETIREMENT BENEFIT OBLIGATIONS			
ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS AT BEGINNING OF YEAR	**$ 44,471,943**	$ 39,108,361	$ 35,221,399
INCREASE DURING THE YEAR ATTRIBUTABLE TO			
Benefits accumulated	**(977,411)**	10,822,084	(4,291,929)
Increase for interest due to the decrease in the discount period (Note 2)	**2,879,933**	2,522,323	2,447,151
Benefits paid	**(1,788,345)**	(1,763,125)	(1,719,250)
Change in plan provisions (Note 1)	**0**	(6,217,700)	0
Changes in assumptions (Note 1)	**2,089,467**	0	7,450,990
Net increase	**2,203,644**	5,363,582	3,886,962
ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS AT END OF YEAR	**$ 46,675,587**	$ 44,471,943	$ 39,108,361

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

Notes to Financial Statements

June 30, 2007

Note 1 - Description of Plan

The following brief description of the Archdiocese of Boston Clergy Retirement/Disability Plan ("the Plan") is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

General Description of Eligibility - The Plan is a noncontributory defined benefit pension plan covering priests incardinated in the Roman Catholic Archdiocese of Boston who are in good standing with the norms of canon law. Established on July 1, 1974, the Plan provides benefits for general, early, disability and postponed retirement. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Pension Benefits - The monthly retirement pension available to a priest who retires at the general retirement age of 70 ranges from $564 to $1,289, depending upon his assigned residence. The monthly benefit available to a priest who retires at the general retirement age or is permanently disabled and living on his own is $1,889. The monthly retirement pension payable to a retired priest while residing in a nursing home or assisted-living facility is $564 to $744. A priest who has attained at least age 65 may, with the permission of the Roman Catholic Archbishop of Boston, retire and receive an early retirement pension. A disability retirement pension is paid to a priest who is totally and permanently disabled, with the monthly benefit equal to his general retirement pension.

It is the Plan's intention to provide funds in amounts sufficient to fund annually the Plan's normal cost.

Other Post-Retirement Benefits – Other post-retirement benefits include future benefits expected to be paid to or for currently retired clergy and active clergy after retirement from service consist of health, dental and subsistence benefits.

Changes in Assumptions

Pension - During fiscal year 2007, the demographic projections related to forecasting of living arrangements was adjusted, reflecting a decrease in accumulated benefits. During fiscal 2005, the expected return on assets was reduced to 6.5% from 7%, the 3% cost of living adjustment was eliminated, and the actuary updated the mortality table to the RP 2000 table from the 1983 Group Annuity Table

Other Post-Retirement Benefits - Certain healthcare cost trends were increased from 8% to 9% in 2007, decreased from 8.5% to 8% in 2006, and decreased from 9% to 8.5% in 2005.

The effects of the changes in assumptions are reflected in the accompanying financial statements for each of the three years ended June 30, 2007.

Change in Plan Provisions

Pension - During fiscal year 2007, the valuation results reflect an increase in the supplemental disposable income and room benefits for senior priests in residence.

Other Post-Retirement Benefits - Effective January 1, 2006, the Plan discontinued reimbursement to senior priests for the Medicare Part B monthly premiums.

Notes to Financial Statements (Cont.)

June 30, 2007

Note 2 - Summary of Significant Accounting Policies

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

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 – 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, 2007, the excess approximated $678,000 based on bank balances. Cash equivalents consist of investments in uninsured money market mutual funds approximating $3,130,000 at June 30, 2007. The Plan has not experienced any losses as a result of uninsured amounts.

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.

Property Leased to Regina Cleri, Incorporated - Land and buildings purchased in the year 2000 from and leased back to Regina Cleri, Incorporated, a related organization, are stated at cost, less accumulated depreciation. Depreciation is provided over the estimated useful lives of the assets by using straight-line methods. The estimated useful lives of the buildings for the computation of depreciation are 40 years.

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

Gifts, Bequests and Contributions - Gifts, bequests and contributions are recognized when the donor makes a donation. During the year ended June 30, 2006, the Plan received a donation of approximately $891,000 from one estate.

Donated Property - Donated land improvements totaling approximately $530,000 have been recorded for the year ended June 30, 2006. The improvements performed by the contractor were paid by an independent third party.

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 Pension Plan Benefits - Accumulated pension plan benefits are those future periodic payments that are expected to be paid under the Plan's provisions to retired and active priests.

Notes to Financial Statements (Cont.)

June 30, 2007

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

The actuarial present value of accumulated pension plan benefits is determined by an actuary, and is that amount that results from applying actuarial assumptions to adjust the accumulated pension 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. The significant actuarial assumptions used in the valuations as of June 30, 2007 and 2006 are as follows:

	2007	2006
Investment Return	**6.5%**	6.5%
Mortality Before & After Retirement	**RP 2000 Combined Healthy No Collar Projection 2020 Mortality Table.**	RP 2000 Combined Healthy No Collar Projection 2020 Mortality Table.
Retirement Age	**72**	72
Asset Valuation	**Market value**	Market value
Retirement Benefit	**$1,221 average per month at June 30, 2007**	$1,206 average per month at June 30, 2006
Cost of Living Adjustment	**None assumed**	None assumed
Salary Increases	**None assumed**	None assumed

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 pension plan benefits.

Actuarial Present Value of Other Post-Retirement Obligations

Other post-retirement benefit obligations represent the actuarial present value of those estimated future health, dental and subsistence benefits that are attributed to clergy service rendered to the financial statement date.

Prior to an active clergy's full eligibility date, the post-retirement benefit obligation is the portion of the expected post-retirement benefit obligation that is attributed to that clergy's service rendered to the valuation date.

The actuarial present value of the expected post-retirement benefit obligation is determined by an actuary and is the amount that results from applying actuarial assumptions to historical claims-cost data to estimate future annual incurred claims costs per participant and to adjust such estimates for the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as those for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

For measurement purposes, a 9% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2007 (8% in 2006); the rate was assumed to decrease gradually to 5% for 2015 for 2007 (5% by 2012 for 2006), and to remain at that level thereafter.

Notes to Financial Statements (Cont.)

June 30, 2007

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

The following were other significant assumptions used in the valuation as of June 30, 2007 and 2006:

	2007	2006
Investment Return	**6.5%**	6.5%
Retirement age	**72**	72
Mortality	**RP 2000 Combined Healthy No Collar Projection 2020 Mortality Table**	RP 2000 Combined Healthy No Collar Projection 2020 Mortality Table

The foregoing 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 other post-retirement benefit obligations.

Note 3 - Investments

Investments consist of the following at June 30:

	2007		2006	
	Cost	**Fair Value**	Cost	Fair Value
At quoted market price:				
RCAB:				
Collective Investment Partnership	**$26,505,942**	**$41,044,386**	$31,794,644	$43,151,704
Common Investment Fund	**500,000**	**515,375**	0	0
Fixed Income Investment Fund	**1,000,000**	**980,523**	0	0
	$28,005,942	**$42,540,284**	$31,794,644	$43,151,704

During the reporting periods, the Plan's investments (including investments bought, sold as well as held during the years) appreciated (depreciated) in value as follows as determined by quoted market price:

	Year Ended June 30		
	2007	2006	2005
RCAB:			
Collective Investment Partnership	**$5,367,682**	$3,885,425	$3,343,251
Common Investment Fund	**15,375**	0	0
Fixed Income Investment Fund	**(19,477)**	0	0
	$5,363,580	$3,885,425	$3,343,251

The RCAB 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.

Notes to Financial Statements (Cont.)

June 30, 2007

Note 3 - Investments (Cont.)

The Common Investment Fund and Fixed Income Investment Fund are separate entities established to provide a common investment pool in which Catholic organizations may participate. Dividend income from these investments totaled $35,479 during the year ended June 30, 2007. No dividend income was received from these investments during the years ended June 30, 2006 and 2005.

Note 4 – Property

Property consists of the following at June 30:

	2007	2006
Land	**$ 4,036,578**	$ 4,036,578
Land improvements	**529,925**	529,925
Buildings	**10,464,324**	10,464,324
Building improvements, including construction-in-progress of $1,852,335 in 2006	**1,972,028**	1,939,835
	17,002,855	16,970,662
Less accumulated provisions for depreciation	**1,902,166**	1,578,369
	$15,100,689	$15,392,293

Depreciation expense for the years ended June 30, 2007, 2006 and 2005 was $323,798, $263,781 and $265,968, respectively.

At June 30, 2007, property consists of a retirement home for retired priests located in Boston, Massachusetts, which is leased to and operated by Regina Cleri, Incorporated (Note 7).

Note 5 – Financial Status of Plan

A summary of the financial status of the Plan is as follows at June 30:

	2007	2006
Actuarial Present Value of:		
Accumulated Retirement Pension Benefits	**$116,998,524**	$121,293,446
Post-Retirement Medical Benefits	**46,675,587**	44,471,943
	163,674,111	165,765,389
Net Assets Available for Benefits	**57,111,635**	55,509,268
Excess of Actuarial Present Value of Accumulated Pension Plan Benefits and Other Post-Retirement Benefits Over Net Assets Available for Benefits	**$106,562,476**	$110,256,121

Notes to Financial Statements (Cont.)

June 30, 2007

Note 6 - Plan Termination

Although it has not expressed any intention to do so, the Trustees may completely or partially amend or terminate the Plan at any time after consulting the Trustee's Advisory Committee. In the event that the Plan terminates, its funds are not to revert to the participating employers or to be used for any purpose other than the exclusive benefit of the participants and their beneficiaries.

Any excess funds remaining after all liabilities are satisfied would be distributed among eligible participants in an equitable manner as determined by the Trustees.

Note 7 - Related Party Transactions

Deferred Lease Income, Regina Cleri Incorporated - In July of 1999, the Plan purchased retirement homes and land for $16.2 million from Regina Cleri Incorporated, a related organization, that operates a retirement home for priests. The purchase was financed by the assumption of Regina Cleri, Incorporated's debt approximating $10.5 million, and by executing a leaseback agreement with Regina Cleri, Incorporated for 20 years, which was valued at $5.7 million. Simultaneous with the transaction, the Plan prepaid the $10.5 million of debt it had assumed. Under the leaseback agreement, Regina Cleri, Incorporated continues to operate as a retirement home for priests.

The net present value of the leaseback agreement was recorded as deferred lease income and is being amortized into income over the 20-year term of the agreement.

Future lease income, by year, along with the related net present value at June 30, 2007 are as follows:

Year Ending June 30	
2008	$ 500,000
2009	500,000
2010	500,000
2011	500,000
2012	500,000
Later years	3,708,334
	6,208,334
Less amounts representing interest	1,929,938
Present value of lease obligations at June 30, 2007	$4,278,396

Rental income under the leaseback agreement totaled $500,000 in 2007, 2006 and 2005. Interest expense imputed on the lease obligation was $281,006 in 2007 ($294,525 in 2006 and $307,391 in 2005).

Service Fees to Corporation Sole - 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, 2007, 2006 and 2005 were approximately $136,400, $136,400 and $133,300, respectively.

Notes to Financial Statements (Cont.)

June 30, 2007

Note 7 - Related Party Transactions (Cont.)

Health Insurance - The Plan is assessed by the Archdiocese of Boston Clergy Medical/Hospitalization Plan for priests whose benefits are covered under this Plan. These health insurance expenses are reported as deductions on the accompanying statements of changes in net assets available for benefits. Such expenses totaled $1,788,345, $1,763,125 and $1,719,250 for the years ended June 30, 2007, 2006 and 2005, respectively.

Transfer from Related Trust - During the year ended June 30, 2007, the Plan received $7.5 million in unrestricted funds from the Archdiocese of Boston Clergy Benefit Trust, a related trust, to assist in funding the Plan's obligations.

Note 8 – Financial Instruments and Concentrations of Credit Risk

The Plan's financial instruments that are potentially subject to concentrations of credit risk consist of cash, cash equivalents, and investments. The Plan’s investments consist principally of investments in the RCAB Collective Investment Partnership, Common Investment Fund, Roman Catholic Archbishop of Boston and Fixed Income Investment Fund, Roman Catholic Archbishop of Boston, A Corporation Sole as disclosed in Note 3.

Note 9 - Reporting and Disclosure by Roman Catholic Archbishop of Boston, A Corporation Sole

The accounting and financial disclosures within this report for the Archdiocese of Boston Clergy Retirement/ Disability Plan are prepared under the provisions of Statement of Financial Accounting Standards No. 35, "Accounting and Reporting by Defined Benefit Pension Plans". The primary objective of the Plan's financial statements is to provide financial information that is useful in assessing the Plan's present and future ability to pay benefits when due.

This Plan is the retirement vehicle for the priests assigned to the Roman Catholic Archdiocese of Boston. Accordingly, the financial reporting of the Roman Catholic Archbishop of Boston, A Corporation Sole, as the employer of these priests, includes corresponding accounting and financial disclosures relating to pension and other post-retirement benefits.

The primary objective of the employers' financial disclosure is to provide information about plan assets, obligations, cash flow and net cost to assist readers in assessing the market risk of the plan, the amount and timing of cash flows, and reported financial results of the employer.

Due to the fact that the accounting pronouncements and objectives of financial reporting are different for the Plan and the employer, there can be significant differences between the benefit obligations shown in the Plan's financial statements and the benefit obligation amount reported in the employers' financial statements.