

REGINA CLERI, INCORPORATED
FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

REGINA CLERI, INCORPORATED

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JUNE 30, 2007 AND 2006**

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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, 2007 and 2006, and the related statements of activities and changes in net assets 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, 2007 and 2006, 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.

Wellesley, Massachusetts
February 25, 2008

REGINA CLERI, INCORPORATED

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2007 AND 2006

<u>ASSETS</u>	2007				2006			
	<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>
CURRENT ASSETS:								
Cash and cash equivalents	\$ 60,233	\$ -	\$ -	\$ 60,233	\$ 149,780	\$ -	\$ -	\$ 149,780
Deposits with the Corporation Sole - Revolving Loan Fund	2,710	-	-	2,710	158,124	-	-	158,124
Total cash and cash equivalents	62,943	-	-	62,943	307,904	-	-	307,904
Interest and dividends receivable	129,965	-	-	129,965	118,229	-	-	118,229
Prepaid expenses and other assets	3,619	-	-	3,619	12,324	-	-	12,324
Current portion of prepaid rent	233,403	-	-	233,403	218,994	-	-	218,994
Total current assets	429,930	-	-	429,930	657,451	-	-	657,451
INVESTMENTS	11,337,643	378,363	604,387	12,320,393	10,321,195	285,960	604,387	11,211,542
PREPAID RENT , net of current portion	4,044,993	-	-	4,044,993	4,278,396	-	-	4,278,396
FURNITURE AND EQUIPMENT , net of accumulated depreciation of \$588,357 and \$564,932 at June 30, 2007 and 2006, respectively	53,896	-	-	53,896	77,321	-	-	77,321
Total assets	<u>\$ 15,866,462</u>	<u>\$ 378,363</u>	<u>\$ 604,387</u>	<u>\$ 16,849,212</u>	<u>\$ 15,334,363</u>	<u>\$ 285,960</u>	<u>\$ 604,387</u>	<u>\$ 16,224,710</u>
<u>LIABILITIES AND NET ASSETS</u>								
CURRENT LIABILITIES -								
Accounts payable and accrued expenses	\$ 246,755	\$ -	\$ -	\$ 246,755	\$ 155,520	\$ -	\$ -	\$ 155,520
NET ASSETS:								
Unrestricted -								
Undesignated	5,553,724	-	-	5,553,724	6,092,160	-	-	6,092,160
Furniture and equipment	53,896	-	-	53,896	77,321	-	-	77,321
Designated for endowment	10,012,087	-	-	10,012,087	9,009,362	-	-	9,009,362
Total unrestricted	15,619,707	-	-	15,619,707	15,178,843	-	-	15,178,843
Temporarily restricted	-	378,363	-	378,363	-	285,960	-	285,960
Permanently restricted	-	-	604,387	604,387	-	-	604,387	604,387
Total net assets	15,619,707	378,363	604,387	16,602,457	15,178,843	285,960	604,387	16,069,190
Total liabilities and net assets	<u>\$ 15,866,462</u>	<u>\$ 378,363</u>	<u>\$ 604,387</u>	<u>\$ 16,849,212</u>	<u>\$ 15,334,363</u>	<u>\$ 285,960</u>	<u>\$ 604,387</u>	<u>\$ 16,224,710</u>

The accompanying notes are an integral part of these statements.

REGINA CLERI, INCORPORATED

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006

	2007				2006			
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
OPERATING REVENUE:								
Clergy Retirement/Disability Plan	\$ 1,505,642	\$ -	\$ -	\$ 1,505,642	\$ 1,795,642	\$ -	\$ -	\$ 1,795,642
Investment income	759,230	-	-	759,230	751,412	-	-	751,412
Contributions, gifts and bequests	135,083	-	-	135,083	320,363	-	238	320,601
Other	48,151	-	-	48,151	980	-	-	980
Room and board	6,600	-	-	6,600	5,400	-	-	5,400
Total operating revenue	<u>2,454,706</u>	<u>-</u>	<u>-</u>	<u>2,454,706</u>	<u>2,873,797</u>	<u>-</u>	<u>238</u>	<u>2,874,035</u>
OPERATING EXPENSES:								
Personnel and related -								
Salaries	1,320,117	-	-	1,320,117	1,257,672	-	-	1,257,672
Payroll taxes and employee benefits	317,399	-	-	317,399	341,064	-	-	341,064
Stipends	86,841	-	-	86,841	93,363	-	-	93,363
Health care contracted services	26,756	-	-	26,756	17,906	-	-	17,906
Total personnel and related	<u>1,751,113</u>	<u>-</u>	<u>-</u>	<u>1,751,113</u>	<u>1,710,005</u>	<u>-</u>	<u>-</u>	<u>1,710,005</u>
Occupancy -								
Rent	500,000	-	-	500,000	500,000	-	-	500,000
Utilities	181,739	-	-	181,739	157,796	-	-	157,796
Repairs and maintenance	100,564	-	-	100,564	87,052	-	-	87,052
Facility contracted services	82,203	-	-	82,203	81,389	-	-	81,389
Property taxes and insurance	25,070	-	-	25,070	26,942	-	-	26,942
Household supplies	23,534	-	-	23,534	29,137	-	-	29,137
Depreciation	23,425	-	-	23,425	23,650	-	-	23,650
Total occupancy	<u>936,535</u>	<u>-</u>	<u>-</u>	<u>936,535</u>	<u>905,966</u>	<u>-</u>	<u>-</u>	<u>905,966</u>
Other -								
Food	155,231	-	-	155,231	175,978	-	-	175,978
Professional fees	103,378	-	-	103,378	97,768	-	-	97,768
Infirmiry supplies	24,862	-	-	24,862	27,942	-	-	27,942
Telephone	12,566	-	-	12,566	11,556	-	-	11,556
Miscellaneous	10,640	-	-	10,640	7,945	-	-	7,945
Dues and subscriptions	3,965	-	-	3,965	7,726	-	-	7,726
Printing and postage	2,933	-	-	2,933	2,132	-	-	2,132
Office supplies	2,546	-	-	2,546	2,151	-	-	2,151
Total other	<u>316,121</u>	<u>-</u>	<u>-</u>	<u>316,121</u>	<u>333,198</u>	<u>-</u>	<u>-</u>	<u>333,198</u>
Total operating expenses	<u>3,003,769</u>	<u>-</u>	<u>-</u>	<u>3,003,769</u>	<u>2,949,169</u>	<u>-</u>	<u>-</u>	<u>2,949,169</u>
Changes in net assets from operations	(549,063)	-	-	(549,063)	(75,372)	-	238	(75,134)
NON-OPERATING REVENUE -								
Unrealized gains on investments	989,927	92,403	-	1,082,330	416,823	38,968	-	455,791
Changes in net assets	440,864	92,403	-	533,267	341,451	38,968	238	380,657
NET ASSETS, beginning of year	<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>
NET ASSETS, end of year	<u>\$ 15,619,707</u>	<u>\$ 378,363</u>	<u>\$ 604,387</u>	<u>\$ 16,602,457</u>	<u>\$ 15,178,843</u>	<u>\$ 285,960</u>	<u>\$ 604,387</u>	<u>\$ 16,069,190</u>

The accompanying notes are an integral part of these statements.

REGINA CLERI, INCORPORATED

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 533,267	\$ 380,657
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Unrealized gain on investments	(1,082,330)	(455,791)
Depreciation	23,425	23,650
Rent amortization	500,000	500,000
Interest income on rent amortization	(281,006)	(294,525)
Permanently restricted gift	-	(238)
Changes in operating assets and liabilities -		
Interest and dividends receivable	(11,736)	(7,532)
Prepaid expenses and other assets	8,705	13,622
Accounts payable and accrued expenses	91,235	21,633
	<u>(218,440)</u>	<u>181,476</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of furniture and equipment	-	(4,271)
Purchase of investments	(26,521)	(28,183)
	<u>(26,521)</u>	<u>(32,454)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES -		
Permanently restricted gift	-	238
	<u>-</u>	<u>238</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(244,961)	149,260
CASH AND CASH EQUIVALENTS, beginning of year	<u>307,904</u>	<u>158,644</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 62,943</u></u>	<u><u>\$ 307,904</u></u>

The accompanying notes are an integral part of these statements.

REGINA CLERI, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006

(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, 2007 and 2006.

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 and changes in net assets 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, 2007 AND 2006
(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, 2007 and 2006, are summarized on a functional basis as follows:

	<u>2007</u>	<u>2006</u>
Program	\$2,731,590	\$2,687,711
General and administrative	<u>272,179</u>	<u>261,458</u>
	<u>\$3,003,769</u>	<u>\$2,949,169</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 of approximating \$50,000 and \$131,000 at June 30, 2007 and 2006, respectively.

The Agency deposits portions of its cash balance 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, 2007 AND 2006
(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 for these services during fiscal years 2007 and 2006, which are included in professional fees in the accompanying statements of activities and changes in net assets.
- **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, 2007 and 2006, the Agency's investment in CIF had a market value of \$12,320,393 and \$11,211,542, respectively.
- **Roman Catholic Archbishop of Boston, A Corporation Sole - Revolving Loan Fund (RCAB Revolving Loan Fund).** As of June 30, 2007 and 2006, the Agency has \$2,710 and \$158,124, 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 2007 and 2006, the Agency received \$1,505,642 and \$1,795,642, respectively, from Clergy Retirement which is included in Clergy Retirement/Disability Plan in the accompanying statements of activities and changes in net assets. The Agency also bills Clergy Retirement for room and board for one resident of the Agency. During fiscal years 2007 and 2006, the Agency billed Clergy Retirement \$6,600 and \$5,400, 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 (see Note 7).

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 \$111,079 and \$131,883 for the years ended June 30, 2007 and 2006, respectively.

REGINA CLERI, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)

(2) **RELATED PARTY TRANSACTIONS** (Continued)

The Agency had the following transactions with members of its Board of Trustees:

- The Director of the Agency is also a voting member of the Board of Trustees.
- A member of the Board of Trustees provided services to the Agency totaling \$22,914 and \$22,032 for the years ended June 30, 2007 and 2006, respectively.
- A member of the Board of Trustees provided medical services to residents of the Agency. These services are billed directly to the resident's insurance provider.

(3) **INVESTMENTS**

The Agency records its investments at market value. Investments at June 30, 2007 and 2006, consist of the following:

	<u>2007</u>	<u>Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation</u>
CIF		<u>\$6,879,137</u>	<u>\$12,320,393</u>	\$5,441,256
Unrealized appreciation as of June 30, 2006				<u>4,358,926</u>
Total unrealized gain for the year ended June 30, 2007				<u>\$1,082,330</u>
	<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>

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.

REGINA CLERI, INCORPORATED
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007 AND 2006
(Continued)

(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, 2007 and 2006, of \$281,006 and \$294,525, respectively. The Agency also recognized rent amortization of \$500,000 during 2007 and 2006. The interest income is included in investment income in the accompanying statements of activities and changes in net assets.

(6) CONCENTRATIONS

The Agency maintains a cash balance with the RCAB Revolving Loan Fund. This balance was approximately \$3,000 and \$158,000 at June 30, 2007 and 2006, respectively, and is uninsured. The Agency also maintains approximately \$12,300,000 and \$11,200,000 of investments in CIF for the years ended June 30, 2007 and 2006, respectively, which are uninsured and subject to ongoing market fluctuations.

The Agency received approximately 61% and 62% of its operating revenue from Clergy Retirement/Disability Plan for the years ended June 30, 2007 and 2006, 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 \$57,995 and \$62,972 for the years ended June 30, 2007 and 2006, respectively, and is included in payroll taxes and employee benefits in the accompanying statements of activities and changes in net assets.

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, 2007, the audited financial statements of the Pension Plan reflected approximately \$292.9 million in net assets available for benefits and \$286.2 million in accumulated plan benefits.