Audited
Financial Statements

St. John's Seminary

June 30, 2007

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

St. John's Seminary

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Moore Stephens Reilly, P.C.
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INDEPENDENT AUDITORS' REPORT

To the Trustees
St. John's Seminary

We have audited the accompanying statements of financial position of St. John's Seminary as of June 30, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Seminary'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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 St. John's Seminary at 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2008 on our consideration of St. John's Seminary's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

G. T. Reilly & Company

G. T. Reilly & Company

Milton, Massachusetts
May 1, 2008

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Statements of Financial Position

June 30

	2007	2006
Assets		
Cash and cash equivalents (Note 1)		
Cash and cash equivalents	**$ 4,272,498**	$ 4,318,660
Deposits with the Corporation Sole-Revolving Loan Fund	**0**	97,307
Total cash and cash equivalents	**4,272,498**	4,415,967
Tuition receivable, net (Note 2)	**25,915**	124,495
Pledges receivable, net (Note 3)	**12,515**	18,942
Grants receivable	**13,282**	13,282
Interest and dividends receivable	**394,063**	385,647
Prepaid expenses and other assets	**21,892**	26,041
Due from related organization (Note 4)	**6,070,358**	5,331,894
Investments, at fair value (Note 5)	**40,300,483**	37,018,660
Interest in the net assets of the Foundation (Note 6)	**2,175,498**	2,112,848
Land and buildings held for sale (Notes 7 & 14)	**678,382**	116,800
Land, buildings & equipment, net (Note 7)	**21,999,250**	23,291,107
TOTAL ASSETS	**$75,964,136**	$72,855,683
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 503,661**	$ 344,937
Deferred tuition revenue	**7,715**	5,500
	511,376	350,437
Net Assets (Note 9):		
Unrestricted	**50,816,432**	49,416,831
Temporarily restricted	**14,237,392**	12,707,586
Permanently restricted	**10,398,936**	10,380,829
	75,452,760	72,505,246
TOTAL LIABILITIES AND NET ASSETS	**$75,964,136**	$72,855,683

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

Statements of Activities

Year Ended June 30	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS & OTHER SUPPORT								
Tuition and fees	$ 554,078	$ 0	$ 0	$ 554,078	$ 569,308	$ 0	$ 0	$ 569,308
Collections-Pentecost	281,957	0	0	281,957	263,312	0	0	263,312
Contributions, bequests and grants	87,011	18,500	5,606	111,117	261,482	219,715	5,500	486,697
Matching gifts	288,294	0	0	288,294	328,258	0	0	328,258
Contributed services (Note 8)	696,537	0	0	696,537	692,448	0	0	692,448
Investment income	891,922	757,402	573	1,649,897	859,759	705,027	751	1,565,537
Other revenues	38,320	0	0	38,320	34,498	0	0	34,498
Special fees	3,190	0	0	3,190	259	0	0	259
Rental income (Note 11)	627,124	0	0	627,124	627,124	0	0	627,124
Contribution from Corporation Sole (Note 11)	0	0	0	0	300,000	0	0	300,000
Revenue from and interest in change in net assets of the Foundation (Note 6)	0	161,670	12,501	174,171	0	306,517	1,075	307,592
Net assets released through satisfaction of restrictions (Note 9)	860,735	(668,887)	(191,848)	0	699,171	(631,475)	(67,696)	0
TOTAL REVENUES, GAINS & OTHER SUPPORT	4,329,168	268,685	(173,168)	4,424,685	4,635,619	599,784	(60,370)	5,175,033
EXPENSES								
School of Theology (Note 10)	4,106,805	0	0	4,106,805	4,131,453	0	0	4,131,453
Management and general	810,064	0	0	810,064	737,782	0	0	737,782
Depreciation (Note 7)	730,276	0	0	730,276	752,764	0	0	752,764
Fundraising	50,835	0	0	50,835	20,780	0	0	20,780
TOTAL EXPENSES	5,697,980	0	0	5,697,980	5,642,779	0	0	5,642,779
OPERATING INCOME (LOSS)	(1,368,812)	268,685	(173,168)	(1,273,295)	(1,007,160)	599,784	(60,370)	(467,746)
NONOPERATING INCOME								
Net realized and unrealized gains on investments and assets held under split-interest agreements	2,029,949	1,261,121	191,275	3,482,345	872,310	601,509	0	1,473,819
Interest income, related organization (Note 4)	738,464	0	0	738,464	415,580	0	0	415,580
NONOPERATING INCOME	2,768,413	1,261,121	191,275	4,220,809	1,287,890	601,509	0	1,889,399
CHANGE IN NET ASSETS	1,399,601	1,529,806	18,107	2,947,514	280,730	1,201,293	(60,370)	1,421,653
NET ASSETS AT BEGINNING OF YEAR	49,416,831	12,707,586	10,380,829	72,505,246	49,136,101	11,506,293	10,441,199	71,083,593
NET ASSETS AT END OF YEAR	$50,816,432	$14,237,392	$10,398,936	$75,452,760	$49,416,831	$12,707,586	$10,380,829	$72,505,246

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

Statements of Cash Flows

Year Ended June 30

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	**$ 2,947,514**	$ 1,421,653
Adjustments to reconcile change in net assets to net cash and cash equivalents applied to operating activities:		
Net realized and unrealized gains on investments	**(3,482,345)**	(1,473,819)
Donation of land held for resale	**0**	(116,800)
Depreciation	**730,276**	752,764
Interest income accrued, related organization	**(738,464)**	(415,580)
Change in interest in net assets of the Foundation	**(174,171)**	(307,592)
Changes in operating assets and liabilities:		
Interest and dividends receivable	**(8,416)**	(110,833)
Prepaid expenses and other assets	**4,149**	5,510
Tuition receivable, net	**98,580**	(98,428)
Pledges receivable, net	**6,426**	5,352
Due from related organizations	**0**	23,861
Accounts payable and accrued expenses	**158,724**	172,222
Deferred tuition revenue	**2,215**	(8,400)
NET CASH AND CASH EQUIVALENTS APPLIED TO OPERATING ACTIVITIES	**(455,510)**	(150,090)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of land, buildings and equipment	**0**	(75,601)
Proceeds from sale of investments and maturity of annuities	**200,521**	186,953
Purchase of investments and assets held in trust	**0**	(8,506,515)
Transfer of assets from the Catholic Foundation (Note 6)	**111,520**	84,663
NET CASH AND CASH EQUIVALENTS PROVIDED BY (APPLIED TO) INVESTING ACTIVITIES	**312,041**	(8,310,500)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(143,469)**	(8,460,590)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,415,967**	12,876,557
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 4,272,498**	$ 4,415,967

Notes to Financial Statements

June 30, 2007

Note 1 - Principal Activity and Summary of Significant Accounting Policies

Principal Activity – St. John’s Seminary (the “Seminary”) is a Roman Catholic, professional and graduate theological school dedicated primarily to the intellectual, cultural and spiritual preparation of seminarians for the priesthood. The Seminary's primary sources of funding for its services include investment income, tuition fees and donations.

Summary of Significant Accounting Policies - The significant accounting policies followed by the Seminary are described below:

Financial Statement Presentation - The financial statements of the Seminary have been prepared on the accrual basis of accounting.

The Seminary reports three classes of net assets and the changes in those net assets in the statement of financial position and statement of activities, respectively. The three classes of net assets - unrestricted, temporarily restricted and permanently restricted - are based on the existence or absence of donor-imposed restrictions, either explicit or implicit. The three classifications are defined as follows:

Unrestricted Net Assets - Assets and contributions that are not restricted by the donor or for which restrictions have expired.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that permit the Seminary to use or expend the donated assets as specified and are satisfied by either the passage of time or by actions of the Seminary.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Seminary. Generally, the donors of these assets permit the Seminary to use, all or in part, the income earned on related investments for general or specific purposes. Unexpended appreciation on permanently restricted net assets is included in temporarily restricted net assets, unless the donor states otherwise.

The Seminary reports gifts of cash and other assets as restricted support if they are donor-restricted as to purpose or time. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Seminary reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained; the Seminary reports expirations of donor restrictions in the period the expenditure is made.

Under Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations" and Massachusetts General Laws, unrealized gains or losses from endowment fund investments are reported as increases or decreases in temporarily restricted net assets unless the donor explicitly states otherwise.

Note 1 - Principal Activity and Summary of Significant Accounting Policies (Cont.)

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 and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant items presented herein affected by the use of estimates are the allowances for uncollectible receivables and loans and depreciable lives of buildings and equipment. Actual results could vary from those estimates.

Cash and Cash Equivalents – For purposes of presentation of the statement of financial position, cash includes all bank accounts with no restrictions on withdrawals. Financial instruments with original maturities of three months or less at purchase are classified as cash equivalents.

The Seminary maintains its cash deposits in two 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, based on bank balances, cash deposits exceeded insured limits by approximately $3,119,000. The Seminary has not experienced any losses as a result of uninsured deposit amounts. Included in cash equivalents are investments in uninsured money market mutual funds approximating $1,062,000 at June 30, 2007.

The Corporation Sole maintains a revolving loan fund, which is a vehicle for parishes to pool funds for short-term investment purposes. This fund is also a vehicle to provide temporary financing to parishes for short-term borrowing needs. The Seminary's deposits in the revolving loan fund are classified as cash equivalents as approximately 80% of the underlying revolving loan funds assets are cash and cash equivalents.

Receivables – When considered necessary by management, tuition and pledge receivables are stated net of allowances for doubtful accounts. The allowances are established via a provision for bad debts charged to expense in the statement of activities. On a periodic basis, management evaluates its receivables and establishes or adjusts its allowances to amounts 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, the Seminary's history of prior loss experience, and on the current economic conditions. Accounts are charged against the allowances when management believes that the collectibility of the specific account is unlikely. In 2007 and 2006, there were no charges to the tuition allowance for doubtful accounts. Write-offs to the pledge allowance for doubtful accounts were approximately $842 in 2007 and $1,337 in 2006 (see Notes 2 & 3).

Investments – The Seminary reports investments in equity securities, including mutual funds, at market value. Unrealized increases or decreases in the market value are reflected currently in the statement of activities.

Land, Buildings and Equipment – Land and improvements, buildings and improvements, furniture and equipment are carried at cost, or if donated, at fair market value at the time of donation. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets, which range from five years for furniture and equipment to forty years for buildings. Expenditures for maintenance and repairs are charged to expense, whereas major betterments are capitalized.

Land and buildings held for sale are presented in the statement of financial position at the lower of cost or market value. When buildings are classified as held for sale, depreciation is no longer recorded (see Note 7).

Deferred Tuition Revenue – Deferred tuition revenue consists of summer and fall semester tuition received in advance.

Contributed Services - The Seminary recognizes contributions of services received as support in the statement of activities with an equal amount recognized as expense if the services provided require special skills and would need to be purchased by the Seminary if not contributed. Contributed services are recorded for professors in the Seminary's School of Theology (see Note 8).

Note 1 - Principal Activity and Summary of Significant Accounting Policies (Cont.)

Accounting for Assets Held by Others – The Seminary follows the provisions of Statement of Financial Accounting Standards No. 136, "Transfer of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others" (SFAS No. 136). The statement requires the Seminary to recognize as an asset its interest in the net assets of other related organizations that hold funds that have been donated for the benefit of the Seminary. Additionally, the statement requires the Seminary to adjust the interest for its share of the change in the related organization's net assets via a charge or credit to its statement of activities. Transfers of funds from the related organization are reported as reductions to the Seminary's recorded interest (see Note 6).

Income Tax Status - The Seminary is included in the United States Catholic Conference Group Ruling and in the Official Catholic Directory and is therefore exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements.

Note 2 – Tuition Receivable

Tuition receivable is reported at the estimated net realizable amount at June 30, and consists of the following:

	2007	2006
Tuition receivable	**$ 25,915**	$ 124,495
Less: Allowance for uncollectible amounts	**0**	0
Net tuition receivable	**$ 25,915**	$ 124,495

Note 3 – Pledges Receivable

Pledges receivable are due within one year and consist of unconditional promises to give at June 30 as follows:

	2007	2006
Unrestricted promises	**$ 12,515**	$ 18,100
Restricted to renovations	**0**	34,175
	12,515	52,275
Less: Allowance for uncollectible amounts	**0**	(33,333)
Net pledges receivable	**$ 12,515**	$ 18,942

Note 4 - Due from Related Organizations

The Seminary has a $4,880,000 promissory note receivable from the Roman Catholic Archbishop of Boston, A Corporation Sole (the "Corporation Sole"), a related organization, in connection with a 2004 sale of real estate. Interest accrued and receivable at June 30, 2007 totaled $1,190,358 ($451,894 at June 30, 2006). The note principal together with interest accrued from the date of the note becomes payable on January 1, 2011. For the period from July 1, 2005 through January 1, 2011, interest compounds on the note at a rate equivalent to the average total return of the Common Investment Fund, Roman Catholic Archbishop of Boston, which was 14% for the year ended June 30, 2007. Interest income amounted to $738,464 and $415,580 for the years ended June 30, 2007 and 2006, respectively.

Note 5 – Investments

Investments are recorded at fair value and consist of the following at June 30:

	2007		2006	
	Cost	**Fair Value**	Cost	Fair Value
Common Investment Fund, Roman Catholic Archbishop of Boston	**$28,451,759**	**$39,923,348**	$28,570,375	$36,640,807
Fixed Income Investment Fund, Roman Catholic Archbishop of Boston	**377,318**	**377,135**	377,818	377,853
	$28,829,077	**$40,300,483**	$28,948,193	$37,018,660

Included in investments are holdings in The Common Investment Fund, and the Fixed Income Investment Fund, Roman Catholic Archbishop of Boston invests, through the Roman Catholic Archbishop of Boston Collective Investment Partnership, primarily in equity and fixed-income securities. Both funds are separate related organizations established to provide a common investment pool in which the Seminary and other Catholic organizations may participate. The participants own units based upon a per-unit value at the time of purchase. The Common Investment Fund and the Fixed Income Fund incur service fees from the Corporation Sole for administrative and clerical services performed on behalf of the two funds.

Note 6 – Interest in the Catholic Foundation of the Archdiocese of Boston, Inc. ("Foundation")

The Seminary is the beneficiary of restricted donations collected on its behalf by the Foundation, a related organization. As discussed in Note 1, "Accounting for Assets Held by Others", the Seminary has recorded as an asset its interest in the Foundation's net assets, $2,175,498 at June 30, 2007 and $2,112,848 at June 30, 2006. The change in the Seminary's interest is reflected in the statement of activities as an increase in net assets of $174,171 and $307,592 in 2007 and 2006, respectively. Transfers of funds from the Foundation totaled $111,520 and $84,663 for the years ended June 30, 2007 and 2006, respectively.

Note 7 – Land, Buildings and Equipment

	June 30	
	2007	2006
Buildings and improvements	**$29,255,267**	$32,041,788
Land and improvements	**3,862**	67,414
Furniture and equipment	**2,481,156**	2,481,156
	31,740,285	34,590,358
Less accumulated depreciation	**(9,741,035)**	(11,299,251)
Land, buildings and equipment, net	**$21,999,250**	$23,291,107

Land and buildings held for sale at June 30, 2007 ($678,382) and 2006 ($116,800) is carried at net book value (cost less accumulated depreciation provisions), which is not in excess of the net realizable value, and is not included above (see Note 14).

Depreciation expense totaled $730,276 and $752,764 for the years ended June 30, 2007 and 2006, respectively.

Note 8 – Contributed Services

For the years ended June 30, 2007 and 2006, the Seminary recorded contributed services received in the amounts of $696,537 and $692,448, respectively, for full-time services provided by priests who serve as faculty. Those amounts represent the differences between actual compensation paid and the estimated compensation that would be paid to laypersons performing the same services.

Note 9 - Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	2007	2006
Scholarship awards	**$ 3,317,020**	$ 3,227,701
Building renovation	**798,076**	733,238
Interest in net assets of the Catholic Foundation - temporarily restricted	**850,849**	800,699
General	**575,146**	523,040
Masses	**300,606**	288,334
Promise for Tomorrow	**35,533**	35,533
Emergency funds	**1,899**	1,899
Student medical expenses	**396**	396
	5,879,525	5,610,840
Unrealized gains on investments related to temporarily restricted net assets	**38,908**	10,775
Unrealized gains on investments related to permanently restricted net assets	**8,245,682**	7,085,198
Realized gains on investments related to permanently restricted net assets	**73,277**	773
	$14,237,392	$12,707,586

Permanently restricted net assets at June 30 are restricted to investment in perpetuity, the income from which is expendable to support:

	2007	2006
Scholarships	**$ 7,223,223**	$ 7,217,617
Interest in net assets of the Foundation - permanently restricted	**1,324,650**	1,312,149
Building and equipment	**1,116,767**	1,116,767
General	**734,296**	734,296
	$10,398,936	$10,380,829

During the years ended June 30, 2007 and 2006, net assets were released from donor restrictions by incurring expenses or by the occurrence of other events satisfying the restricted purposes as follows:

	2007	2006
From temporarily restricted net assets:		
Student scholarships	**$ 668,887**	$ 631,475
From permanently restricted net assets:		
Building	**90,848**	67,696
General	**101,000**	0
	$ 860,735	$ 699,171

Note 10- Summary of Educational Expenses - School of Theology

The following is a summary of educational expenses incurred for the years ended June 30:

	2007	2006
Instruction	**$1,684,359**	$1,611,136
Library	**245,596**	254,860
Student services/activities	**65,556**	84,735
Operation & maintenance of plant	**1,190,803**	1,188,321
Household expenses	**920,491**	992,401
Totals	**$4,106,805**	$4,131,453

Note 11 - Related Organization Transactions

Lease Commitments - In September 2003, the Seminary entered into a five-year agreement to lease Peterson Hall to Corporation Sole with a tenant option to extend the lease term an additional five years. The initial monthly lease payment of $15,487 was renegotiated in June 2004 to $56,141 due to an increase in the amount of space leased. Subsequent to year end, the Seminary sold the land and property to Boston College (reference Note 14).

Rental income under the lease agreement totaled $27,124 for each of the years ended June 30, 2007 and 2006.

Support - The Seminary occasionally receives support from Corporation Sole to help cover the operating and construction costs of the Seminary. Such support was $300,000 for the year ended June 30, 2006 (none in 2007). The amounts are included in Contribution from Corporation Sole in the statement of activities.

Benefits – The Seminary participates with other Catholic organizations in lay employee health, dental, life and disability benefit plans that are related organizations. Expenses incurred by the Seminary for the benefit of lay employees under these plans were $91,731 and $82,180 for the years ended June 30, 2007 and 2006, respectively.

The Seminary participates with other Catholic organizations in the Archdiocese of Boston Clergy Medical/Hospitalization Trust, a related organization. Expenses incurred by the Seminary for the benefit of clergy under this plan were $61,942 and $61,208 for the years ended June 30, 2007 and 2006, respectively.

Insurance - The Seminary purchases general liability, automobile, fire and theft, crime, boiler and inland marine insurance through Corporation Sole from various insurance carriers. Related insurance expense for these services was $71,567 and $68,409 for the years ended June 30, 2007 and 2006, respectively.

Services – The Seminary receives administrative, technological and clerical services from Corporation Sole. Fees incurred for these services were $167,535 for the years ended June 30, 2007 and 2006.

Note 12 - Employee Pension Plans

The Seminary participates with other Catholic organizations in a noncontributory, defined-benefit multiemployer pension plan covering substantially all lay employees of the various organizations making up the Archdiocese of Boston. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the "Pension Plan"). The Seminary's employees represent approximately 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 Seminary is based on payroll cost and amounted to $50,590 and $48,600 for the years ended June 30, 2007 and 2006, respectively.

Note 12 - Employee Pension Plans (Cont.)

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished among the various organizations participating in the Pension Plan. The June 30, 2007 audited financial statements of the Pension Plan reflect approximately $292 million in net assets available for benefits and $286 million in accumulated plan benefits under the Pension Plan.

Note 13 - Other Lease Commitments

The Seminary leases its motor vehicles under an agreement, which is reported as an operating lease, whereby the payments are charged to operations as incurred. Lease expense approximated $20,000 in fiscal 2007 and $18,000 in fiscal 2006.

Future minimum lease payments are $8,000 through the year ending June 30, 2008.

Note 14 - Subsequent Sale of Property

As part of a 2004 campus sale agreement between the Seminary, the Corporation Sole and Boston College, the Seminary had a ten-year put right to require Boston College to purchase the remaining parcel of approximately 13.5 acres of land and buildings for approximately $40 million with certain price escalation clauses.

In July of 2007, Peterson Hall, along with the surrounding land owned jointly by the Seminary and Corporation Sole, was sold to Boston College for $65 million. The net book value of the land and property sold has been classified in the accompanying balance sheets as "land and buildings held for sale". The division of proceeds between St. John's Seminary and the Corporation Sole from the sale has yet to be determined. The Seminary has a put option with Boston College whereas if it wishes to sell the remaining Seminary building within 50 years of the sale, Boston College is obligated to purchase it for $10 million. The put expires after 50 years, wherein Boston College retains a Right of First Refusal to purchase the Seminary building.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Trustees
St. John's Seminary

We have audited the financial statements of St. John's Seminary as of and for the year ended June 30, 2007, and have issued our report thereon dated May 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. John's Seminary's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of St. John's Seminary's internal control over financial reporting. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Seminary's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Seminary's financial statements that is more than inconsequential will not be prevented or detected by the Seminary's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Seminary's internal control.

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. John's Seminary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Board of Trustees and management of St. John's Seminary, and is not intended to be and should not be used by anyone other than these specified parties.

G. T. Reilly & Company

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Milton, Massachusetts
May 1, 2008