

**Audited
Financial Statements**

**Archdiocese of Boston
Clergy Retirement/
Disability Plan**

June 30, 2008

Archdiocese of Boston Clergy Retirement/Disability Plan

Audited Financial Statements

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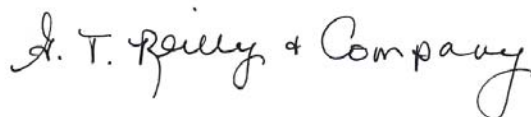
INDEPENDENT AUDITORS' REPORT

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, 2008 and 2007, 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, 2008. 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, 2008 and 2007, and the changes in its financial status for each of the three years in the period ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.



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January 7, 2009

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Archdiocese of Boston Clergy Retirement/Disability Plan

Statements of Net Assets Available for Benefits

June 30

	<u>2008</u>	<u>2007</u>
<u>Assets</u>		
Investments, at fair value (Notes 3, 9 & 11)		
Roman Catholic Archbishop of Boston:		
Collective Investment Partnership	\$ 30,760,206	\$ 41,044,386
Common Investment Fund	463,802	515,375
Fixed Income Investment Fund	799,153	980,523
	<u>32,023,161</u>	<u>42,540,284</u>
Cash and cash equivalents	3,219,531	3,779,607
Accrued dividends receivable	11,016	16,916
Property leased to Regina Cleri, Incorporated, net (Notes 4 & 7)	<u>14,793,775</u>	<u>15,100,689</u>
TOTAL ASSETS	<u>50,047,483</u>	<u>61,437,496</u>
<u>Liabilities</u>		
Accounts payable and accrued expenses	64,376	47,465
Deferred lease income (Note 7)	<u>4,044,993</u>	<u>4,278,396</u>
TOTAL LIABILITIES	<u>4,109,369</u>	<u>4,325,861</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 45,938,114</u>	<u>\$ 57,111,635</u>

Archdiocese of Boston Clergy Retirement/Disability Plan

Statements of Changes in Net Assets Available for Benefits

Year Ended June 30

	<u>2008</u>	<u>2007</u>	<u>2006</u>
ADDITIONS			
Investment income (Note 3):			
Interest	\$ 75,789	\$ 57,321	\$ 61,730
Dividends	49,082	35,479	0
Net realized and unrealized (losses) gains on investments	<u>(2,517,123)</u>	<u>5,363,580</u>	<u>3,885,425</u>
	<u>(2,392,252)</u>	<u>5,456,380</u>	<u>3,947,155</u>
Other income:			
Gifts, bequests and contributions (Note 2)	98,813	16,708	1,425,698
Collections from parishes	0	0	58,112
Rental income (Note 7)	500,000	500,000	500,000
	<u>598,813</u>	<u>516,708</u>	<u>1,983,810</u>
	<u>(1,793,439)</u>	<u>5,973,088</u>	<u>5,930,965</u>
DEDUCTIONS			
Health insurance (Note 7)	1,854,165	1,788,345	1,763,125
Room and board	5,674,943	4,772,283	5,052,769
Retirement benefits	4,227,115	3,926,659	3,783,668
Disability benefits	253,063	525,572	284,673
Professional and service fees (Note 7)	229,934	252,759	327,927
Interest expense (Note 7)	266,597	281,006	294,525
Depreciation expense (Note 4)	325,513	323,798	263,781
Miscellaneous	48,752	299	8,047
	<u>12,880,082</u>	<u>11,870,721</u>	<u>11,778,515</u>
NET DECREASE	<u>(14,673,521)</u>	<u>(5,897,633)</u>	<u>(5,847,550)</u>
NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR	57,111,635	55,509,268	61,356,818
TRANSFER FROM ARCHDIOCESE OF BOSTON CLERGY BENEFIT TRUST (Note 7)	<u>3,500,000</u>	<u>7,500,000</u>	<u>0</u>
NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR	<u>\$ 45,938,114</u>	<u>\$ 57,111,635</u>	<u>\$ 55,509,268</u>

Archdiocese of Boston Clergy Retirement/Disability Plan

Statements of Accumulated Plan Benefits and Benefit Obligations

Year Ended June 30

	<u>2008</u>	<u>2007</u>
ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS (Note 2)		
Retired and disabled participants currently receiving pension benefits	\$ 66,663,948	\$ 66,950,962
Other participants	<u>51,382,696</u>	<u>50,047,562</u>
TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS	<u>118,046,644</u>	<u>116,998,524</u>
ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS (Note 2)		
Retired and disabled participants currently receiving health, dental and subsistence benefits	21,812,183	23,436,685
Other participants	<u>22,325,038</u>	<u>23,238,902</u>
TOTAL ACTUARIAL PRESENT VALUE OF OTHER POST-RETIREMENT BENEFIT OBLIGATIONS	<u>44,137,221</u>	<u>46,675,587</u>
TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS AND OTHER POST-RETIREMENT BENEFIT OBLIGATIONS	<u>\$ 162,183,865</u>	<u>\$ 163,674,111</u>

Archdiocese of Boston Clergy Retirement/Disability Plan

Statements of Changes in Accumulated Plan Benefits and Benefit Obligations

Year Ended June 30

	<u>2008</u>	<u>2007</u>	<u>2006</u>
CHANGES IN ACCUMULATED PENSION			
PLAN BENEFITS			
ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS AT BEGINNING OF YEAR	<u>\$ 116,998,524</u>	<u>\$ 121,293,446</u>	<u>\$ 133,454,089</u>
INCREASE (DECREASE) DURING THE YEAR ATTRIBUTABLE TO:			
Benefits accumulated (settled)	2,173,440	(5,897,528)	(11,513,795)
Increase for interest due to the decrease in the discount period (Note 2)	7,362,998	7,675,333	8,474,262
Benefits paid	(10,155,120)	(9,224,514)	(9,121,110)
Changes in plan provisions (Note 1)	0	4,015,884	0
Changes in assumptions (Note 1)	1,666,802	(864,097)	0
Net increase (decrease)	<u>1,048,120</u>	<u>(4,294,922)</u>	<u>(12,160,643)</u>
ACTUARIAL PRESENT VALUE OF ACCUMULATED PENSION PLAN BENEFITS AT END OF YEAR	<u>\$ 118,046,644</u>	<u>\$ 116,998,524</u>	<u>\$ 121,293,446</u>
CHANGES IN OTHER POST-RETIREMENT BENEFIT			
OBLIGATIONS			
ACTUARIAL PRESENT VALUE OF OTHER POST- RETIREMENT BENEFIT OBLIGATIONS AT BEGINNING OF YEAR	<u>\$ 46,675,587</u>	<u>\$ 44,471,943</u>	<u>\$ 39,108,361</u>
(DECREASE) INCREASE DURING THE YEAR ATTRIBUTABLE TO:			
Benefits (settled) accumulated	(478,292)	(977,411)	10,822,084
Increase for interest due to the decrease in the discount period (Note 2)	3,025,078	2,879,933	2,522,323
Benefits paid	(1,854,164)	(1,788,345)	(1,763,125)
Change in plan provisions (Note 1)	0	0	(6,217,700)
Changes in assumptions (Note 1)	(3,230,988)	2,089,467	0
Net (decrease) increase	<u>(2,538,366)</u>	<u>2,203,644</u>	<u>5,363,582</u>
ACTUARIAL PRESENT VALUE OF OTHER POST- RETIREMENT BENEFIT OBLIGATIONS AT END OF YEAR	<u>\$ 44,137,221</u>	<u>\$ 46,675,587</u>	<u>\$ 44,471,943</u>

Archdiocese of Boston Clergy Retirement/Disability Plan

Notes to Financial Statements

June 30, 2008

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 years 2008 and 2007, the demographic projections related to forecasting of living arrangements were adjusted, reflecting an increase in 2008 and a decrease in 2007 in accumulated benefits.

Other Post-Retirement Benefits - Certain healthcare cost trends were decreased from 9% to 8.5% in 2008, increased from 8% to 9% in 2007, and decreased from 8.5% to 8% in 2006.

The effects of the changes in assumptions are reflected in the accompanying financial statements for each of the three years ended June 30, 2008.

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.

Archdiocese of Boston Clergy Retirement/Disability Plan

Notes to Financial Statements (Cont.)

June 30, 2008

Note 2 - Summary of Significant Accounting Policies

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

Basis of Accounting - The 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 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, 2008, the excess approximated \$844,000 based on bank balances. Cash equivalents consist of investments in uninsured money market mutual funds approximating \$2,326,000 at June 30, 2008. The Plan has not experienced any losses as a result of uninsured amounts.

Valuation of Investments –The Plan invests in the Roman Catholic Archbishop of Boston Collective Investment Partnership (“the Partnership”), the Roman Catholic Archbishop of Boston Common Investment Fund, a partner in the “Partnership”, and the Roman Catholic Archbishop of Boston Fixed Income Investment Fund. The Partnership and Fixed Income Investment Fund invest in domestic securities, which are valued by obtaining bid price quotations from independent pricing services. Investments in foreign securities are valued at the mean between bid and asked price. For those securities whose prices are not available through independent pricing services, bid price quotations are obtained by the Custodian from principal market makers in those securities or at fair value as determined in good faith by management. Investments in private investment entities are recorded at fair value based on the net assets value per share as reported by such entities. The Plan’s 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 trade date basis. Realized gains and losses from securities are calculated using an average cost basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. The cost of bonds is adjusted for the amortization or premiums and accretion of discounts.

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.

Payment of Benefits – Benefit payments to participants are recorded upon distributions.

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.

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.

Archdiocese of Boston Clergy Retirement/Disability Plan

Notes to Financial Statements (Cont.)

June 30, 2008

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, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
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	\$1,283 average per month at June 30, 2008	\$1,221 average per month at June 30, 2007
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 8.5% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2008 (9% in 2007); the ultimate trend rate was assumed to decrease to 5% by 2015 for 2008 and 2007.

Archdiocese of Boston Clergy Retirement/Disability Plan

Notes to Financial Statements (Cont.)

June 30, 2008

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

The following were other significant assumptions used in the valuation as of June 30, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
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. If the Plan was 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:

	<u>2008</u>		<u>2007</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
At quoted market price:				
RCAB:				
Collective Investment Partnership	\$21,267,476	\$30,760,206	\$26,505,942	\$41,044,386
Common Investment Fund	500,000	463,802	500,000	515,375
Fixed Income Investment Fund	1,000,000	799,153	1,000,000	980,523
	<u>\$22,767,476</u>	<u>\$32,023,161</u>	<u>\$28,005,942</u>	<u>\$42,540,284</u>

During the reporting periods, the Plan's investments (including investments bought, sold as well as held during the year) (depreciated) appreciated in value as follows:

	<u>Year Ended June 30</u>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
RCAB:			
Collective Investment Partnership	\$(2,284,180)	\$5,367,682	\$3,885,425
Common Investment Fund	(51,573)	15,375	0
Fixed Income Investment Fund	(181,370)	(19,477)	0
	<u>\$(2,517,123)</u>	<u>\$5,363,580</u>	<u>\$3,885,425</u>

The RCAB Collective Investment Partnership is an investment fund whose assets consist primarily of equity and fixed-income securities, investment grade debt and private investment entities. The Plan is a partner in this partnership, along with other partners who are related organizations within the Archdiocese of Boston.

Archdiocese of Boston Clergy Retirement/Disability Plan

Notes to Financial Statements (Cont.)

June 30, 2008

Note 3 - Investments (Cont.)

The Common Investment Fund (a partner in the RCAB Collective Investment Partnership) 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 \$49,082 and \$35,479 during the years ended June 30, 2008 and 2007, respectively. No dividend income was received from these investments during the year ended June 30, 2006.

Note 4 – Property

Property consists of the following at June 30:

	<u>2008</u>	<u>2007</u>
Land	\$ 4,036,578	\$ 4,036,578
Land improvements	529,925	529,925
Buildings	10,464,324	10,464,324
Building improvements	<u>1,990,627</u>	<u>1,972,028</u>
	17,021,454	17,002,855
Less accumulated provisions for depreciation	<u>2,227,679</u>	<u>1,902,166</u>
	<u>\$14,793,775</u>	<u>\$15,100,689</u>

Depreciation expense for the years ended June 30, 2008, 2007 and 2006 was \$325,513, \$323,798 and \$263,781, respectively.

At June 30, 2008, 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:

	<u>2008</u>	<u>2007</u>
Actuarial Present Value of:		
Accumulated Retirement Pension Benefits	\$118,046,644	\$116,998,524
Post-Retirement Medical Benefits	<u>44,137,221</u>	<u>46,675,587</u>
	162,183,865	163,674,111
Net Assets Available for Benefits	<u>45,938,114</u>	<u>57,111,635</u>
Excess of Actuarial Present Value of Accumulated Pension Plan Benefits and Other Post-Retirement Benefit Obligations Over Net Assets Available for Benefits	<u>\$116,245,751</u>	<u>\$106,562,476</u>

Archdiocese of Boston Clergy Retirement/Disability Plan

Notes to Financial Statements (Cont.)

June 30, 2008

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, 2008 are as follows:

<u>Year Ending</u> <u>June 30</u>	
2009	\$ 500,000
2010	500,000
2011	500,000
2012	500,000
2013	500,000
Later years	<u>3,208,334</u>
	5,708,334
Less amounts representing interest	<u>1,663,341</u>
Present value of lease obligations at June 30, 2008	<u>\$4,044,933</u>

Rental income under the leaseback agreement totaled \$500,000 in 2008, 2007 and 2006. Interest expense imputed on the lease obligation was \$266,597 in 2008 (281,006 in 2007 and \$294,525 in 2006).

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, 2008, 2007 and 2006 were approximately \$65,100, \$136,400 and \$136,400, respectively.

Archdiocese of Boston Clergy Retirement/Disability Plan

Notes to Financial Statements (Cont.)

June 30, 2008

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 \$1,854,165, \$1,788,345 and \$1,763,125 for the years ended June 30, 2008, 2007 and 2006, respectively.

Transfer from Related Trust - During the years ended June 30, 2008 and 2007, the Plan received \$3.5 million and \$7.5 million, respectively, 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 – Risks and Uncertainties

The Plan invests in various investment securities (see Note 3). Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of net assets available for benefits.

Plan contributions are made and the actuarial present value of accumulated pension plan benefits and other post-retirement benefit obligations are reported based on certain assumptions pertaining to interest rates, inflation rates, health care inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term would be material to the financial statements.

Note 10 - 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.

Note 10 - Reporting and Disclosure by Roman Catholic Archbishop of Boston, A Corporation Sole (Cont.)

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.

Note 11 – Subsequent Decline in Market Values of Investments

Since the date of the accompanying financial statements, June 30, 2008, the Plan's investments depreciated in value by approximately \$4.9 million (15%) through October 31, 2008 (including gains and losses on investments bought and sold as well as held during the period) as a result of a volatile stock market and a tightening of the credit market.