

**Audited
Financial Statements**

**Archdiocese of Boston
Clergy Medical/
Hospitalization Plan**

June 30, 2008

Archdiocese of Boston Clergy Medical/Hospitalization Plan

Audited Financial Statements

June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Trustee
Archdiocese of Boston Clergy Medical/Hospitalization Plan

We have audited the accompanying statements of benefit obligations and net assets available for benefits of the Archdiocese of Boston Clergy Medical/Hospitalization Plan as of June 30, 2008 and 2007, and the related statements of changes in benefit obligations and net assets available for benefits 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 Medical/Hospitalization 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

Archdiocese of Boston Clergy Medical/Hospitalization Plan

Statements of Benefit Obligations and Net Assets Available for Benefits

June 30

	<u>2008</u>	<u>2007</u>
<u>BENEFIT OBLIGATIONS</u>		
Claims payable	\$ 360,946	\$ 351,529
Estimated claims incurred but not yet reported	<u>426,450</u>	<u>399,063</u>
TOTAL BENEFIT OBLIGATIONS	<u>787,396</u>	<u>750,592</u>
<u>NET ASSETS AVAILABLE FOR BENEFITS</u>		
<u>Assets</u>		
Cash and cash equivalents	501,352	345,418
Assessments receivable from participating entities, less allowance for uncollectibles of \$126,298 in 2008 and \$234,103 in 2007	79,075	82,798
Accounts receivable, Medicare	<u>93,390</u>	<u>0</u>
Total Assets	<u>673,817</u>	<u>428,216</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>673,817</u>	<u>428,216</u>
DEFICIENCY IN NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	<u>\$ (113,579)</u>	<u>\$ (322,376)</u>

Archdiocese of Boston Clergy Medical/Hospitalization Plan

Statements of Changes in Benefit Obligations and Net Assets Available for Benefits

Year Ended June 30

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>NET INCREASE IN BENEFIT OBLIGATIONS</u>			
Claims payable	\$ 9,417	\$ (148,648)	\$ 48,061
Estimated claims incurred but not yet reported	<u>27,387</u>	<u>262,938</u>	<u>(38,822)</u>
NET INCREASE IN BENEFIT OBLIGATIONS	<u>36,804</u>	<u>114,290</u>	<u>9,239</u>
<u>NET INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS</u>			
ADDITIONS			
Assessments to participating entities (Note 4)	6,049,274	5,425,711	4,936,084
Support from Archdiocese of Boston Clergy Benefit Trust (Note 3)	300,000	763,071	100,000
Gifts and bequests	0	0	25,000
Interest income	11,407	3,669	204
Contribution from Archdiocese of Boston (Note 3)	0	0	435,705
Medicare reimbursement	<u>98,766</u>	<u>84,276</u>	<u>0</u>
TOTAL ADDITIONS	<u>6,459,447</u>	<u>6,276,727</u>	<u>5,496,993</u>
DEDUCTIONS			
Claims	5,944,703	5,726,221	5,262,571
Service fees (Note 3)	374,206	341,084	333,896
Provision for uncollectible assessments	(105,405)	0	(77,662)
Other expenses	<u>342</u>	<u>29</u>	<u>0</u>
TOTAL DEDUCTIONS	<u>6,213,846</u>	<u>6,067,334</u>	<u>5,518,805</u>
NET INCREASE (DECREASE) IN NET ASSETS	245,601	209,393	(21,812)
INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS	208,797	95,103	(31,051)
DEFICIENCY IN NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS:			
BEGINNING OF YEAR	<u>(322,376)</u>	<u>(417,479)</u>	<u>(386,428)</u>
END OF YEAR	<u>\$ (113,579)</u>	<u>\$ (322,376)</u>	<u>\$ (417,479)</u>

Archdiocese of Boston Clergy Medical/Hospitalization Plan

Notes to Financial Statements

June 30, 2008

Note 1 - Description of Plan

The following brief description of the Archdiocese of Boston Clergy Medical/Hospitalization Plan is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

General - The Archdiocese of Boston Clergy Medical/Hospitalization Plan ("the Plan") was established to provide certain medical and/or hospitalization coverage to incardinated priests of the Roman Catholic Archdiocese of Boston. The Plan is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Assessments - The Plan charges assessments to parishes and other Catholic organizations within the Archdiocese of Boston, served by priests, for medical and hospitalization coverage.

Benefits - The Plan pays substantially all medical and hospitalization expenses of covered priests.

Note 2 - Significant Accounting Policies

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 during the reported period. 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 \$42,000 based on bank balances. Cash equivalents consist of uninsured money market mutual funds approximating \$375,000 at June 30, 2008. The Plan has not experienced any losses as a result of uninsured amounts.

Assessments Receivable – Assessments receivable are stated net of an allowance for uncollectible accounts, which is reported on the face of the Plan's statement of benefit obligations and net assets available for benefits. The allowance is established via a provision for uncollectible assessments charged to operations. On a periodic basis, management evaluates its assessments receivable and establishes or adjusts its allowance to an amount that it believes will be adequate to absorb possible losses on accounts that may become uncollectible, based on a formula applied to the outstanding balances. Accounts are charged against the allowance when management believes that the collectibility of the specific account is unlikely.

Benefit Obligations – Benefit obligations consist of medical and dental claims payable, as well as claims incurred but not yet reported as of the fiscal year-end, which is estimated by management.

Archdiocese of Boston Clergy Medical/Hospitalization Plan

Notes to Financial Statements (Cont.)

June 30, 2008

Note 3 - Related Party Transactions

The Plan receives funding from the Archdiocese of Boston Clergy Benefit Trust, a related Trust, to cover claim expenses that exceed assessments received. During the year ended June 30, 2008, \$300,000 in unrestricted funding was received. During the year ended June 30, 2007, \$763,071 in funding was received, which included \$163,071 in temporarily restricted funds (\$100,000 in unrestricted funding was received during the year ended June 30, 2006). The restricted funds represented amounts contributed for specified needs of priests incardinated in the Roman Catholic Archdiocese of Boston, which were fully expended by the Plan during 2007.

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 \$165,000, \$135,000 and \$146,000, respectively.

In July, 2000, the Roman Catholic Archbishop of Boston, in the spirit of the Jubilee Year, forgave certain parish obligations. One of these obligations was \$435,705 of outstanding assessments of the Plan. In fiscal year 2006, funds of Parish Reconfiguration totaling \$435,705 were used to restore the previous parish forgiven obligation.

Note 4 – Financial Instruments and Concentrations of Credit Risk

The Plan's financial instruments that are potentially subject to concentrations of credit risk consist of cash and cash equivalents (Note 2), and assessments receivable from participating parishes and other Catholic organizations (served by priests) within the Archdiocese of Boston, which are periodically evaluated for their collectibility. Approximately \$2.4 million (40%) of assessment revenue recognized by the Plan during 2008 was generated from two plans affiliated with the Roman Catholic Archdiocese of Boston.

Note 5 – Risks and Uncertainties

The value of benefit obligations, as estimated by management, is reported based on certain assumptions made by management pertaining to interest 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.