**Audited**
**Financial Statements**

# Caritas Christi
# Retirement Plan and Trust

**June 30, 2008**

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

# Caritas Christi Retirement Plan and Trust

**Audited Financial Statements and Other Financial Information**

**June 30, 2008**

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Certified Public Accountants/Business Consultants

G.T. Reilly & Company
Internationally,
Moore Stephens Reilly, P.C.
Reilly Consulting Group, Inc.
ReillyTech
Reilly Benefits
Reilly Small Business Group

# INDEPENDENT AUDITORS' REPORT

To the Trustees
Caritas Christi Retirement Plan and Trust

We have audited the accompanying statements of net assets available for benefits and of accumulated plan benefits of the Caritas Christi Retirement Plan and Trust as of June 30, 2008 and 2007, and the related statements of changes in net assets available for benefits and of changes in accumulated plan benefits for the years then ended. 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 Caritas Christi Retirement Plan and Trust at June 30, 2008 and 2007, and the changes in its financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

G. T. Reilly & Company

G. T. Reilly & Company

Milton, Massachusetts
December 19, 2008

424 Adams Street
Milton, MA 02186-4358
617 696-8900
617 698-1803 fax
www.gtreilly.com

### Statements of Net Assets Available for Benefits

**June 30**

| | **2008** | 2007 |
|---|---|---|
| **Assets** | | |
| Investments, at fair value (Notes 2, 3, 9 & 10) | | |
| Roman Catholic Archbishop of Boston: | | |
| Collective Investment Partnership | **$ 275,236,077** | $ 300,219,804 |
| Metropolitan Life Group Annuity Contracts: | | |
| Pooled separate accounts | **8,189,345** | 9,043,767 |
| Investment contract | **34,063** | 31,077 |
| | **283,459,485** | 309,294,648 |
| Receivable from participating employers | **0** | 22,070 |
| Cash and cash equivalents (Note 2) | **1,888,453** | 1,364,513 |
| TOTAL ASSETS | **285,347,938** | 310,681,231 |
| **Liabilities** | | |
| Accounts payable and accrued expenses | **50,176** | 36,238 |
| **NET ASSETS AVAILABLE FOR BENEFITS** | **$ 285,297,762** | $ 310,644,993 |



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

## Statements of Changes in Net Assets Available for Benefits

**Year Ended June 30**

| | 2008 | 2007 |
|---|---|---|
| **ADDITIONS** | | |
| Investment income: | | |
| Interest | **$ 383,106** | $ 334,924 |
| Net (depreciation) appreciation in fair value of investments (Note 3) | **(20,187,695)** | 38,168,717 |
| | **(19,804,589)** | 38,503,641 |
| Employer contributions (Note 4) | **6,456,996** | 5,845,128 |
| Miscellaneous income | **15,178** | 0 |
| | **(13,332,415)** | 44,348,769 |
| **DEDUCTIONS** | | |
| Benefits paid directly to participants | **11,661,867** | 11,069,385 |
| General and administrative expenses | **352,949** | 428,794 |
| | **12,014,816** | 11,498,179 |
| **NET (DECREASE) INCREASE IN NET ASSETS** | **(25,347,231)** | 32,850,590 |
| **NET ASSETS AVAILABLE FOR BENEFITS AT BEGINNING OF YEAR** | **310,644,993** | 277,794,403 |
| **NET ASSETS AVAILABLE FOR BENEFITS AT END OF YEAR** | **$ 285,297,762** | $ 310,644,993 |



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

## Statements of Accumulated Plan Benefits

**June 30**

| | 2008 | 2007 |
|---|---|---|
| **ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS** | | |
| Vested benefits: | | |
| Retired participants currently receiving payments | **$ 109,550,327** | $ 104,492,425 |
| Other participants | **208,660,865** | 205,050,048 |
| **TOTAL ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS** | **$ 318,211,192** | $ 309,542,473 |



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

## Statements of Changes in Accumulated Plan Benefits

**Year Ended June 30**

| | **2008** | 2007 |
|---|---|---|
| **ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT BEGINNING OF YEAR** | **$ 309,542,473** | $ 301,261,617 |
| **INCREASE (DECREASE) DURING THE YEAR ATTRIBUTABLE TO:** | | |
| Benefits accumulated | **589,335** | 127,992 |
| Increase for interest, due to the decrease in the discount period | **19,741,250** | 19,222,249 |
| Benefits paid | **(11,661,866)** | (11,069,385) |
| **NET INCREASE** | **8,668,719** | 8,280,856 |
| **ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS AT END OF YEAR** | **$ 318,211,192** | $ 309,542,473 |



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

**Notes to Financial Statements**

**June 30, 2008**

## Note 1 - Description of Plan

The following brief description of the Caritas Christi Retirement Plan and Trust ("the Plan") is provided for general information purposes only. Participants should refer to the Plan for more complete information.

General – The Plan was established on July 1, 1997 as a successor plan for Archdiocese-related health care institutions that previously participated in the Roman Catholic Archdiocese of Boston Pension Plan. The Plan is a non-contributory defined benefit pension plan covering substantially all lay employees who work for a participating health care institution affiliated with the Roman Catholic Archdiocese of Boston. The Plan provides benefits for normal, early, disability and postponed retirement.

Plan Suspension - Effective January 1, 2004, participant benefits were frozen and any additional benefits for future service were suspended. All participants not fully vested as of that date were allowed to complete up to five years of service in order to vest in the benefit that had accrued through December 31, 2003.

Eligibility for Participation - For all employees, participation began on the first day of the month following the later of (a) the date the employer joined the Plan or the predecessor Plan, or (b) the earlier of the completion of three years of service or the attaining of age 21, with one year of service. No new participants will become eligible for the Plan effective January 1, 2004.

Pension Benefits - The total annual amount of accrued pension benefits beginning at normal retirement age of 65 with five years of service is equal to the sum of the following:

(a) 133-1/3% of the annual amount of pension, if any, accrued by such participant through June 30, 1987 under the terms of the predecessor Plan as constituted on that date;

(b) 2% of annual earnings for each year of service completed between June 30, 1987 and December 31, 2003, plus 0.47% of the earnings that exceed twice the covered compensation. No future benefits will accrue after December 31, 2003;

(c) With respect to a participant who became covered on the date his or her employer became a participating employer and such date occurred on or after the Plan restatement date, 2% of his or her annual rate of earnings on such date multiplied by the number of full years occurring after the date he or she would have completed three years of service credit had the employer always been a participating employer (or, if earlier, the date he or she had attained age 21 and would have completed one year of service credit), and before the date the employer became a participating employer.

A participant is eligible for early retirement by election or disability. A participant who is 55 years of age and has 5 years of service credit may elect to receive early pension benefits. A participant who has 5 years of service credit, who is at least 55 and who is totally and permanently disabled is entitled to early pension benefits. The annual amount of early pension benefits payable to an eligible participant contains an actuarial reduction in normal benefits because of an earlier retirement age. As of July 1, 1984, a 50% Survivor Spouse Pre-Retirement Death Benefit is applicable to all vested participants who have been married to their spouse for at least one year at the date of death.

A participant may continue in the employ of the participating employer after the normal retirement age. The participant continued to accrue pension benefits until the earlier of actual retirement, or the date the plan was frozen, January 1, 2004.

All participants are fully vested effective January 1, 2004.

**Notes to Financial Statements (Cont.)**

**June 30, 2008**

## Note 1 - Description of Plan (Cont.)

The Plan includes a post-retirement life insurance benefit whereby participants retiring from active employment are entitled to receive a benefit of up to a maximum of $10,000. This benefit is pro-rated for retiring participants with service of less than 10 years.

## 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 certain reported amounts of assets, liabilities and changes therein, disclosure of contingent assets and liabilities, and the actuarial present value of accumulated plan benefits at the date of the financial statements. Accordingly, actual results may 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 $1,202,000 based on bank balances. Cash equivalents consist of investments in uninsured money market mutual funds approximating $504,000 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 Partnership invests 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 investment in units of participation in pooled separate investment accounts are valued at fair value based upon the market values of the underlying assets in the separate accounts. The Plan’s investment contract is stated at contract value which represents contributions made under contract, plus earnings, less withdrawals and investment fees. 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 of premiums and accretion of discounts.

Participating Employers’ Receivables – When considered necessary by management, amounts receivable from participating employers are stated net of an allowance for uncollectible accounts, which would be reported on the face of the Plan’s statement of net assets available for benefits. The allowance is established via a provision for uncollectible assessments. On a periodic basis, management evaluates its receivables 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 evaluations of the collectibility of individual accounts. No allowance was considered necessary by management at June 30, 2008 and 2007.

**Notes to Financial Statements (Cont.)**

**June 30, 2008**

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

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

Actuarial Present Value of Accumulated Plan Benefits - Accumulated plan benefits are those future periodic payments, including lump-sum distributions, that are attributable under the Plan's provisions to the service employees have rendered. Accumulated plan benefits include benefits expected to be paid to (a) retired or terminated employees or their beneficiaries, (b) beneficiaries of employees who have died, and (c) present employees or their beneficiaries. Benefits payable under all circumstances (retirement, death, disability, and termination of employment) are included, to the extent they are deemed attributable to employee service rendered to the valuation date.

The actuarial present value of accumulated plan benefits was determined by an actuary from Cassidy Retirement Group for 2008 and JP Morgan (formerly CCA Strategies) for 2007, and is that amount that results from applying actuarial assumptions to adjust the accumulated 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 are as follows:

| | | **2008** | 2007 |
|---|---|---|---|
| 1. | Investment return | **6.5%** | 6.5% |
| 2. | Salary increases | **N/A** | N/A |
| 3. | Cost of living increases | **N/A** | N/A |
| 4. | Future expenses | **4%** | 4% |
| 5. | Mortality | **RP-2000, projected to 2020 (sex distinct), No Collar Adjustments** | RP-2000, projected to 2020 (sex distinct), No Collar Adjustments |

6. Termination

| **2008** Age | **2008** Annual Rate | 2007 Age | 2007 Annual Rate |
|---|---|---|---|
| **25** | **.318** | 25 | .318 |
| **35** | **.170** | 35 | .170 |
| **45** | **.089** | 45 | .089 |
| **55** | **.000** | 55 | .000 |
| **65** | **.000** | 65 | .000 |

| | | 2008 | 2007 |
|---|---|---|---|
| 7. | Retirement age | **Age 67 for active participants (including participants with frozen benefits); Age 65 for terminated vested participants (and participants covered by a frozen employer agreement).** | Age 67 for active participants (including participants with frozen benefits); Age 65 for terminated vested participants (and participants covered by a frozen employer agreement). |
| 8. | Form of payment | **Life annuity** | Life annuity |

**Notes to Financial Statements (Cont.)**

**June 30, 2008**

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

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 plan benefits.

## Note 3 - Investments

The following table presents the fair value of investments at June 30:

| | 2008 | 2007 |
|---|---|---|
| Roman Catholic Archbishop of Boston | | |
| Collective Investment Partnership | **$275,236,077** | $300,219,804 |
| Metropolitan Life Group Annuity Contracts: | | |
| Investment contract | **34,063** | 31,077 |
| Pooled separate accounts | **8,189,345** | 9,043,767 |
| | **$283,459,485** | $309,294,648 |

During the years ended June 30, the Plan's investments (including gains and losses on investments bought and sold, as well as held during the year) (depreciated) appreciated in value as follows:

| | 2008 | 2007 |
|---|---|---|
| Based on fair value as determined by quoted market price: | | |
| Roman Catholic Archbishop of Boston | | |
| Collective Investment Partnership | **$(19,483,727)** | $37,220,841 |
| Metropolitan Life Group Annuity Contracts | **(703,968)** | 947,876 |
| | **$(20,187,695)** | $38,168,717 |

Roman Catholic Archbishop of Boston 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.

## Note 4 - Funding Policy

Effective July 1, 2004, a funding policy was implemented such that a calculated (or target) contribution level for each funding location would be equal to an amortization of the deficit, if any, as of the valuation date. Benefit accruals are frozen in the Plan, so the normal cost for each funding location is zero. The amortization is intended to eliminate any funding deficits by January 1, 2015.

## Note 5 - Plan Termination

Although they have not expressed any intention to do so, the Trustees may terminate the Plan at any time. The Trustees may also amend the Plan, subject to such provisions (see Note 1, “Plan Suspension", ). In the event the Plan terminates, the Trust allows available Plan assets to be allocated in accordance with any reasonable method selected by the Trustees, including the reversion of any excess monies remaining after satisfaction of all liabilities to each participating employer on the date of termination.

**Notes to Financial Statements (Cont.)**

**June 30, 2008**

## Note 6 - Related Party Transactions

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 and 2007 were approximately $112,500 and $231,100, respectively.

## Note 7 - Financial Instruments and Concentrations of Credit Risk

The Plan's financial instruments that are potentially subject to concentration of credit risk consist of cash and cash equivalents (Note 2), investments and receivable from participating employers.

Investments in the Roman Catholic Archbishop of Boston Collective Investment Partnership approximate $275.2 million (see Note 3) and consist primarily of debt and equity investments in both corporate and U.S. Government entities. Corporate securities are invested in a broad range of diverse industries.

Investments within annuity contracts with Metropolitan Life approximate $8.2 million (see Note 3) and consist of fixed income separate accounts, a growth equity separate account ($4.9 million), and a broad market separate account ($3.3 million).

## Note 8 – Tax Status

The Plan received a favorable determination letter from the Internal Revenue Service dated June 16, 2005 stating that the Plan, with amendments made through December 31, 2003, meets the requirements of a church plan and is, therefore, exempt from federal income taxes under IRS Section 501(a). The Plan has since been amended. The Trustees believe that the Plan is currently being operated in compliance with applicable requirements of the Internal Revenue Code and remains, therefore, exempt from federal income taxes.

## 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 plan benefits are reported based on certain assumptions pertaining to interest rates, 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 – 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 $48.2 million (17%) 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.

<u>OTHER FINANCIAL INFORMATION</u>

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## INDEPENDENT AUDITORS' REPORT

To the Trustees
Caritas Christi Retirement Plan and Trust

The audited financial statements of the Plan, and our report thereon, are presented in the preceding section of this report.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of general and administrative expenses for the years ended June 30, 2008 and 2007, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

G. T. Reilly & Company

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Milton, Massachusetts
December 19, 2008

424 Adams Street
Milton, MA 02186-4358
617 696-8900
617 698-1803 fax
www.gtreilly.com

### Schedules of General and Administrative Expenses

### Year Ended June 30

| | 2008 | 2007 |
|---|---|---|
| SERVICE FEES | | |
| Actuarial and consulting | **$ 76,473** | $ 54,609 |
| Investment | **62,921** | 63,734 |
| Professional | **65,722** | 52,061 |
| Administration - Roman Catholic Archbishop of Boston, A Corporation Sole | **112,497** | 231,112 |
| | **317,613** | 401,516 |
| Office and other administrative expenses | **35,336** | 27,278 |
| | **$ 352,949** | $ 428,794 |