

**Combined Financial Statements and Report of  
Independent Certified Public Accountants**

**Archdiocese of Boston Clergy Funds**

- **Clergy Medical/Hospitalization Trust**
- **Clergy Retirement Trust**
- **Clergy Benefit Funding Trust**

**June 30, 2013**

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Trustee's of the Archdiocese of Boston Clergy Funds

We have audited the accompanying financial statements of the Archdiocese of Boston Clergy Funds (the Funds), which comprise the combined statements of net assets available for benefits and statements of accumulated plan benefits as of June 30, 2013 and 2012 and the related combined statements of changes in net assets available for benefits and combined statements of changes in accumulated plan benefits for the years then ended, and the related notes to the financial statements.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express an opinion on these combined 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Funds' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, information regarding the Archdiocese of Boston Clergy Funds' net assets available for benefits and financial status as of June 30, 2013 and 2012 and changes therein for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

#### Supplementary information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental combining statements of net assets available for benefits, and combining statements of changes in net assets available for benefits as of and for the years ended June 30, 2013 and 2012, are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of the Funds' management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

Boston, Massachusetts

October 15, 2013

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**  
 Combined Statements of Net Assets Available for Benefits  
 June 30, 2013 and 2012

|   | <u>2013</u>          | <u>2012</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>                                   |                      |                      |
| Cash and cash equivalents                       | \$ 12,844,349        | \$ 8,574,843         |
| Investments, at fair value (notes D and H)      | 14,963,492           | 16,097,498           |
| Participating entities receivable, net (note E) | 5,600                | 7,700                |
| Accounts receivable, Medicare                   | 150,000              | 150,000              |
| Contributions receivable                        | 75,000               | 150,000              |
| Accounts receivable, other                      | 52,212               | 257,748              |
| Land and buildings, net (notes C, F, and G)     | 13,099,237           | 13,439,911           |
| Prepaid expenses (note C)                       | 344,289              | 22,295               |
|   | <u>41,534,179</u>    | <u>38,699,995</u>    |
| Total assets                                    | \$                   | \$                   |
| <b>LIABILITIES</b>                              |                      |                      |
| Accounts payable and accrued expenses           | \$ 288,441           | \$ 102,422           |
| Deferred income (note C)                        | 400,578              | 203,141              |
| Deferred lease income (note G)                  | 2,626,390            | 2,947,369            |
|   | <u>3,315,409</u>     | <u>3,252,932</u>     |
| Total liabilities                               | \$                   | \$                   |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>        |                      |                      |
| Total Net Assets Available for Benefits         | \$ <u>38,218,770</u> | \$ <u>35,447,063</u> |

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

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**Combined Statements of Changes in Net Assets Available for Benefits  
For the years ended June 30, 2013 and 2012

|   | <u>2013</u>          | <u>2012</u>          |
|---|----------------------|----------------------|
| <b>OPERATING REVENUE:</b>   |                      |                      |
| Collections from parishes   | \$ 6,448,694         | \$ 7,252,697         |
| Assessments to participating entities                                       | 6,219,770            | 6,585,986            |
| Medicare reimbursement  | 130,457              | 115,675              |
| Total operating revenue   | <u>12,798,921</u>    | <u>13,954,358</u>    |
| <b>OPERATING EXPENSES:</b>  |                      |                      |
| Benefits:   |                      |                      |
| Claims paid   | 5,416,955            | 5,879,336            |
| Retirement benefits   | 3,815,229            | 3,747,246            |
| Room and board (Note G)   | 543,952              | 2,565,648            |
| Plan administrator  | 249,763              | 248,337              |
| Unassigned and health leave benefits  | 268,161              | 240,632              |
| Other expenses  | 17,514               | 55,673               |
| Disability benefits   | 34,637               | 42,909               |
| Medex benefits  | 32,254               | 36,892               |
| Legal - estate planning   | 21,500               | 30,500               |
| Total benefits  | <u>10,399,965</u>    | <u>12,847,173</u>    |
| Administration:   |                      |                      |
| Salaries and benefits   | 442,838              | 420,880              |
| Service fees  | 350,000              | 370,018              |
| Contract services   | 329,000              | 332,920              |
| Fundraising expense   | 148,087              | 148,777              |
| Professional fees   | 131,387              | 93,542               |
| Other administrative expenses   | 41,987               | 50,791               |
| Total administration  | <u>1,443,299</u>     | <u>1,416,928</u>     |
| Total operating expenses:   | <u>11,843,264</u>    | <u>14,264,101</u>    |
| CHANGE IN NET ASSETS FROM OPERATIONS  | <u>955,657</u>       | <u>(309,743)</u>     |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>                                   |                      |                      |
| Special event dinner, net of costs of \$264,834 and \$244,188, respectively | 902,490              | 779,076              |
| Gifts, bequests and donations   | 539,702              | 1,111,123            |
| Rental income (Note G)  | 500,000              | 500,000              |
| Interest and dividends  | 294,738              | 187,152              |
| Net realized and unrealized gains on investments                            | 98,815               | 32,698               |
| Interest expense (Note G)   | (179,021)            | (198,836)            |
| Depreciation expense (Note F)   | (340,674)            | (340,674)            |
| Total non-operating revenues  | <u>1,816,050</u>     | <u>2,070,539</u>     |
| CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS                                | <u>2,771,707</u>     | <u>1,760,796</u>     |
| <b>NET ASSETS AVAILABLE FOR BENEFITS:</b>                                   |                      |                      |
| BEGINNING OF YEAR   | <u>35,447,063</u>    | <u>33,686,267</u>    |
| END OF YEAR   | <u>\$ 38,218,770</u> | <u>\$ 35,447,063</u> |

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

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**

Combined Statements of Accumulated Plan Benefits

June 30, 2013 and 2012

|  | <u>2013</u>           | <u>2012</u>           |
|--|-----------------------|-----------------------|
| <b>ACCUMULATED PLAN BENEFIT OBLIGATIONS:</b>   |                       |                       |
| <b>ACTUARIAL PRESENT VALUE OF ACCUMULATED<br/>RETIREMENT PLAN BENEFITS</b>                       |                       |                       |
| Retired and disabled participants currently receiving retirement benefits                        | \$ 43,062,849         | \$ 44,418,877         |
| Active participants  | <u>30,849,563</u>     | <u>33,553,937</u>     |
| <b>TOTAL ACTUARIAL PRESENT VALUE OF<br/>ACCUMULATED RETIREMENT PLAN BENEFITS</b>                 | <u>73,912,412</u>     | <u>77,972,814</u>     |
| <b>ACTUARIAL PRESENT VALUE OF OTHER<br/>POST-RETIREMENT BENEFIT OBLIGATIONS</b>                  |                       |                       |
| Retired and disabled participants currently receiving health, dental and<br>subsistence benefits | 15,899,598            | 17,435,631            |
| Active participants  | <u>20,580,713</u>     | <u>24,416,379</u>     |
| <b>TOTAL ACTUARIAL PRESENT VALUE OF OTHER<br/>POST-RETIREMENT BENEFIT OBLIGATIONS</b>            | <u>36,480,311</u>     | <u>41,852,010</u>     |
| <b>RESERVE FOR HEALTH INSURANCE CLAIMS</b>   |                       |                       |
| Claims payable and claims incurred but not reported for retired participants                     | 148,500               | 173,200               |
| Claims payable and claims incurred but not reported for active participants                      | <u>338,500</u>        | <u>394,800</u>        |
| <b>TOTAL RESERVE FOR HEALTH INSURANCE CLAIMS</b>   | <u>487,000</u>        | <u>568,000</u>        |
| <b>TOTAL ACCUMULATED PLAN BENEFIT OBLIGATIONS</b>  | <u>\$ 110,879,723</u> | <u>\$ 120,392,824</u> |

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

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**  
 Combined Statements of Changes in Accumulated Plan Benefits  
 For the year ended June 30, 2013 and 2012

|   | <u>2013</u>                  | <u>2012</u>                  |
|---|------------------------------|------------------------------|
| <b>ACCUMULATED PLAN BENEFIT OBLIGATIONS</b>   |                              |                              |
| <b>AT THE BEGINNING OF YEAR</b>   | <b>\$ 120,392,824</b>        | <b>\$ 120,644,900</b>        |
| <b>CHANGES IN ACCUMULATED RETIREMENT PLAN BENEFITS</b>                                    |                              |                              |
| Actuarial present value of accumulated retirement plan benefits at beginning of year      | <u>77,972,814</u>            | <u>75,708,123</u>            |
| Changes during the year attributable to:  |                              |                              |
| Benefits accumulated  | 1,215,376                    | (580,092)                    |
| Increase for interest due to the decrease in the discount period                          | 3,416,031                    | 3,888,763                    |
| Benefits paid   | (4,295,741)                  | (6,355,803)                  |
| Changes in assumptions (note B)   | <u>(4,396,068)</u>           | <u>5,311,823</u>             |
| Net increase (decrease)   | <u>(4,060,402)</u>           | <u>2,264,691</u>             |
| Actuarial present value of accumulated retirement plan benefits at end of year            | <u>73,912,412</u>            | <u>77,972,814</u>            |
| <b>CHANGES IN OTHER POST-RETIREMENT BENEFIT OBLIGATIONS</b>                               |                              |                              |
| Actuarial present value of other post-retirement benefit obligations at beginning of year | <u>41,852,010</u>            | <u>44,362,798</u>            |
| Changes during the year attributable to:  |                              |                              |
| Benefits accumulated  | 565,000                      | (912,108)                    |
| Increase for interest due to the decrease in the discount period                          | 2,011,613                    | 2,512,738                    |
| Benefits paid   | (1,416,110)                  | (1,708,861)                  |
| Changes in assumptions (note B)   | <u>(6,532,202)</u>           | <u>(2,402,557)</u>           |
| Net increase (decrease)   | <u>(5,371,699)</u>           | <u>(2,510,788)</u>           |
| Actuarial present value of other post-retirement benefit obligations at end of year       | <u>36,480,311</u>            | <u>41,852,010</u>            |
| <b>CHANGES IN RESERVE FOR HEALTH INSURANCE CLAIMS</b>                                     |                              |                              |
| Reserve for health insurance claims at beginning of year                                  | <u>568,000</u>               | <u>573,979</u>               |
| Changes during the year attributable to:  |                              |                              |
| Claims reported and approved and claims incurred but not yet reported                     | 5,335,955                    | 5,873,357                    |
| Claims paid   | <u>(5,416,955)</u>           | <u>(5,879,336)</u>           |
| Net decrease  | <u>(81,000)</u>              | <u>(5,979)</u>               |
| Reserve for health insurance claims at end of year  | <u>487,000</u>               | <u>568,000</u>               |
| <b>ACCUMULATED PLAN BENEFITS AT THE END OF YEAR</b>                                       | <b>\$ <u>110,879,723</u></b> | <b>\$ <u>120,392,824</u></b> |

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



## **ARCHDIOCESE OF BOSTON CLERGY FUNDS**

Notes to Financial Statements

June 30, 2013 and 2012

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### **NOTE A – NATURE OF ORGANIZATION**

The Archdiocese of Boston Clergy Funds (the “Clergy Funds”) represents collectively all trusts, as they may exist from time to time, that provide for the health, welfare, disability, and retirement of priests incardinated in the Roman Catholic Archdiocese of Boston who are in good standing within the norms of canon law (“Eligible Priests”). The Clergy Funds include the financial position and activities of the Archdiocese of Boston Clergy Benefit Funding Trust (the “Funding Trust”), the Archdiocese of Boston Clergy Retirement Trust (the “Retirement Trust”), and the Archdiocese of Boston Clergy Medical/Hospitalization Trust (the “Medical Trust”). The Clergy Funds was established for the purpose of generating and providing support for the benefit of Eligible Priests incardinated in the Roman Catholic Archdiocese of Boston, as directed by the Roman Catholic Archbishop of Boston. The Clergy Funds is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

The Archbishop of Boston, by virtue of his office, is responsible for providing for health, welfare, disability and retirement benefits of Eligible Priests. He appoints the Board of Trustees of the Clergy Funds, but does not serve as a Trustee. Additionally, the Archbishop of Boston serves as Chairman to numerous separately incorporated Catholic organizations that operate within the Archdiocese of Boston. These organizations are considered to be related organizations.

The Board of Trustees assists the Archbishop of Boston in his responsibilities to Eligible Priests by administering the Clergy Funds. The Trustees are authorized and empowered to manage the assets of and benefits provided by the Clergy Funds as deemed necessary.

### **NOTE B - DESCRIPTION OF THE CLERGY FUNDS**

The following brief description of the Clergy Funds is provided for general information purposes only. Participants should refer to each plan agreement for more complete information.

#### **Funding and Benefits**

The Clergy Funds primary source of funding benefits is from special collections from parishes in the Archdiocese of Boston and health assessments to parishes and other catholic organizations within the Archdiocese of Boston. As collections are received from the parishes, they are held in the Funding Trust. Funds are transferred to the Medical Trust and the Retirement Trust at the discretion of the Trustees. Although the Archbishop of Boston has not expressed any intention to do so, in the event that the Clergy Funds were to be terminated, its funds are not to revert to the participating employers or to be used for any purpose other than the exclusive benefit of the Eligible Priests.

The Medical Trust was established to provide substantially all medical and/or hospitalization coverage to Eligible Priests.

The Retirement Trust is a noncontributory defined benefit pension plan that provides retirement benefits, which includes a stipend and room and board covering Eligible Priests.

The primary benefits provided by the Funding Trust relate to funding of the Medical Trust and the Retirement Trust. The Funding Trust pays substantially all benefits for Eligible Priests who are currently on health leave and waiting assignment for up to six months. Additional benefits include support for the well being of Eligible Priests at the discretion of the Trustee.

## ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued

June 30, 2013 and 2012

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### NOTE B - DESCRIPTION OF THE CLERGY FUNDS - Continued

#### **Health Assessments**

The Medical Trust charges assessments to parishes and related catholic organizations for medical and hospitalization coverage of Eligible Priests who are assigned. The annual assessments are calculated based on the expected claims and the total number of priests. From time to time, the Medical Trust also receives funding from the Funding Trust to cover expenses that exceed assessments received.

#### **Retirement Benefits**

The monthly retirement benefit available to a priest who retires at the general retirement age of 75 includes a stipend and room and board, which varies depending upon the retiree's residence. The monthly stipend ranges from \$60 to \$1289. The monthly room and board benefit ranges from \$600 if living on his own or in a parish to 20% of the total cost of a nursing home or the cost of an assisted-living facility. A priest who has attained at least age 65 may, with the permission of the Archbishop of Boston, retire early and receive a retirement benefit. Any priest who becomes totally and permanently disabled qualifies for retirement benefits.

#### **Other Post-Retirement Benefits**

Other post-retirement benefits include health, dental and subsistence benefits.

### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by the Clergy Funds are described below:

#### **Basis of Accounting**

The combined financial statements have been prepared on the accrual basis of accounting.

#### **Cash and Cash Equivalents**

Financial instruments with original maturities of three months or less at the purchase date are classified as cash equivalents. Included in cash equivalents are money market funds of \$11,450,276 and \$7,260,195 at June 30, 2013 and 2012, respectively.

Clergy Funds deposits its cash in major financial institutions. These deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000, per institution. While at times funds deposited in banks are in excess of FDIC insured limits, Clergy Funds has not experienced any losses as a result of the use of uninsured deposit accounts.

#### **Investments**

Investments are carried at fair value. Changes in fair values are reflected in the combined statements of changes in net assets available for benefits as net realized and unrealized gains (losses) on investments. Investment transactions are accounted for as of the date the securities are purchased or sold (trade date). Interest income is recorded on an accrual basis. Dividends are recorded on the ex-dividend date.

## ARCHDIOCESE OF BOSTON CLERGY FUNDS

Notes to Financial Statements - Continued  
June 30, 2013 and 2012

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### NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial instruments with original maturities of greater than three months at the purchase date are classified as investments. Included in investments are a short term investment grade bond mutual fund and a target retirement mutual fund with market values of \$9,875,153 and \$5,088,339, respectively at June 30, 2013. Also included in investments are certificates of deposit and a short term investment grade bond mutual fund of \$6,003,313 and \$10,094,185, respectively at June 30, 2012.

#### **Participating Entities Assessments and Receivable**

Clergy Funds charges assessments to parishes and related catholic organizations for medical and hospitalization coverage of Eligible Priests who are assigned. The annual assessments are calculated based on the expected claims and the total number of priests. The annual assessments charged to parishes and related catholic organizations were \$16,800 per individual priest during fiscal years 2013 and 2012, respectively.

Participating entities receivables are for health assessments to the related parties for assigned Eligible Priests and are stated net of an allowance for uncollectible accounts. The allowance is established via a provision for uncollectible assessments charged to operations. 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. Accounts are charged against the allowance when management believes that the collectability of the specific account is unlikely.

#### **Property Leased to Regina Cleri, Incorporated**

Land and buildings purchased 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 life of the buildings is 40 years.

#### **Prepaid Expenses**

Retirement benefit payments are withdrawn from the Clergy Funds operating cash account by the payroll provider on the last business day of the month in order to be available on the first of the following month for the priests. Included in prepaid expenses are \$324,351 for retirement benefits prepaid at June 30, 2013.

#### **Collections from Parishes**

Collections from parishes are recognized in the statement of changes in net assets available for benefits as Clergy Funds receives the contributions.

#### **Contributions Receivable, Gifts, Bequests and Contributions**

Unconditional promises to give are reported at fair value on the date the promise is verifiably committed. Unconditional promises to give that are expected to be collected are recorded at net realizable value. Unconditional promises to give are reported as contributions receivable. Conditional promises to give are not included as support until the conditions are substantially met.

There were no conditional promises to give at June 30, 2013 and 2012.

Contributions receivable are reflected on the statements of net assets available for benefits at the full value of the contribution. Given the nature of collectability, there is no allowance for doubtful accounts.

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

***Special Events and Deferred Income***

Special event donation amounts are recognized in the changes in net assets available for benefits at the completion of the event. Amounts received prior to the event are recorded as deferred income until the occurrence of the event.

***Payment of Benefits***

Benefit payments to participants are recorded upon distribution.

***Actuarial Present Value of Accumulated Retirement Trust Benefits***

Accumulated retirement plan benefits, which include a stipend and room and board, are those future periodic payments that are expected to be paid under the Retirement Trust's provisions to retired and active priests.

The actuarial present value of accumulated retirement plan benefits is determined by an actuary, and is the amount that results from applying actuarial assumptions to adjust the accumulated retirement 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.

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**

Notes to Financial Statements - Continued

June 30, 2013 and 2012

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

The significant actuarial assumptions used in the valuations are as follows at June 30:

|                                       | <u>2013</u>                         | <u>2012</u>                         |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Discount rate                         | 4.9%                                | 4.5%                                |
| Mortality before and after retirement | 2013 IRS Static Mortality<br>Tables | 2012 IRS Static Mortality<br>Tables |
| Retirement age                        | Age graded tables                   | Age graded tables                   |
| Asset valuation                       | Market value                        | Market value                        |
| Retirement benefit                    | \$1,413 average per month           | \$1,394 average per month           |
| Cost of living adjustment             | None assumed                        | None assumed                        |
| Salary increases                      | N/A                                 | N/A                                 |

The foregoing actuarial assumptions are based on the presumption that the Retirement Trust will continue. Were the Retirement Trust to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated retirement 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 through 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, an 8% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2013; the rate was assumed to decrease gradually to 4.5% by 2020. An 8.0% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2012; the rate was assumed to decrease gradually to 4.5% by 2020.

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**  
Notes to Financial Statements - Continued  
June 30, 2013 and 2012

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued**

The following were other significant assumptions used in the valuation as of June 30, 2013 and 2012:

|   | <u>2013</u>                         | <u>2012</u>                         |
|---|-------------------------------------|-------------------------------------|
| Discount rate   | 5.25%                               | 4.8%                                |
| Retirement age  | Age graded tables                   | Age graded tables                   |
| Mortality   | 2013 IRS Static Mortality<br>Tables | 2012 IRS Static Mortality<br>Tables |
| Effect of 1% increase in healthcare cost<br>trend rate on postretirement obligation | \$ 4,889,000                        | \$ 5,884,000                        |
| Effect of 1% decrease in healthcare cost<br>trend rate on postretirement obligation | \$ (4,045,000)                      | \$ (4,844,000)                      |

The foregoing actuarial assumptions are based on the presumption that the Medical Trust will continue. If the Medical Trust was to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of other post-retirement benefit obligations.

**Reserve for Health Insurance Claims**

Reserve for health insurance claims consist of medical and dental claims payable for benefits provided to Eligible Priests. Obligations for health claims incurred by Eligible Priests but not reported are estimated by management based on historical experience.

**Income Taxes**

The Clergy Funds is included in the annual United States Conference of Catholic Bishops Internal Revenue Service Group Ruling and is therefore exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Clergy Funds recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Clergy Funds' management has reviewed the tax positions for open periods and determined that no provision for income tax is required in the Clergy Funds' financial statements.

**Use of 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, contingent assets and liabilities, and changes during the reported period. Actual results could differ from those estimates. As discussed above, key estimates include the allowance for uncollectible assessments; health claims incurred by participants but not yet reported, and accumulated retirement plan benefits and other post-retirement benefits.

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**

Notes to Financial Statements - Continued

June 30, 2013 and 2012

**NOTE C - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued****Operations**

Changes in net assets that do not impact current operations are presented as non-operating activities, including non-current contributions (special events and gifts or pledges intended to fund future-year activities), net realized and unrealized investment gains/losses, and sales leaseback related income and expenses (see note F and G).

**Reclassifications**

Certain reclassifications have been made to the 2012 financial statements to conform to the current year presentation.

**NOTE D - INVESTMENTS**

The following table presents the fair values of investments. Investments that represent 5 percent or more of the plan's net assets are separately identified.

|   | Year ended June 30   |                      |
|---|----------------------|----------------------|
|   | <u>2013</u>          | <u>2012</u>          |
| Vanguard short-term bond mutual fund          | \$ 9,875,153         | \$ 10,094,185        |
| Vanguard target retirement mutual fund        | 5,088,339            | -                    |
| Century Bank and Trust certificate of deposit | -                    | 6,003,313            |
|   | <u>\$ 14,963,492</u> | <u>\$ 16,097,498</u> |

During the reporting periods, the Clergy Funds investments appreciated in value as follows:

|  | Year ended June 30 |                  |
|--|--------------------|------------------|
|  | <u>2013</u>        | <u>2012</u>      |
| Vanguard short-term bond mutual fund   | \$ 10,476          | \$ 32,698        |
| Vanguard target retirement mutual fund | 88,339             | -                |
|  | <u>\$ 98,815</u>   | <u>\$ 32,698</u> |

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**  
Notes to Financial Statements - Continued  
June 30, 2013 and 2012

**NOTE E - PARTICIPATING ENTITIES RECEIVABLE**

Participating entities receivable consist of the following at June 30:

|                                    | <u>2013</u>      | <u>2011</u>      |
|------------------------------------|------------------|------------------|
| Assessments receivable             | \$ 106,068       | \$ 127,582       |
| Less: Allowance for uncollectibles | <u>(100,468)</u> | <u>(119,882)</u> |
|                                    | <u>\$ 5,600</u>  | <u>\$ 7,700</u>  |

**NOTE F - LAND AND BUILDINGS**

Land and buildings consists of the following at June 30:

|                               | <u>2013</u>          | <u>2012</u>          |
|-------------------------------|----------------------|----------------------|
| Land                          | \$ 4,036,578         | \$ 4,036,578         |
| Land improvements             | 529,925              | 529,925              |
| Building                      | 10,551,225           | 10,551,225           |
| Building improvements         | <u>1,903,727</u>     | <u>1,903,727</u>     |
|                               | 17,021,455           | 17,021,455           |
| Less accumulated depreciation | <u>3,922,218</u>     | <u>3,581,544</u>     |
|                               | <u>\$ 13,099,237</u> | <u>\$ 13,439,911</u> |

**NOTE G - RELATED PARTY TRANSACTIONS**

**Deferred Lease Income, Regina Cleri Incorporated**

In July 1999, the Clergy Funds purchased retirement homes and land for \$16.2 million from Regina Cleri, Incorporated, a related organization, which operates a retirement home for priests. The purchase was financed by the assumption of Regina Cleri, Incorporated's debt of \$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, Clergy Funds retired the \$10.5 million of debt it had assumed. Under the leaseback agreement Regina Cleri, Incorporated continues to operate the 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.



**ARCHDIOCESE OF BOSTON CLERGY FUNDS**Notes to Financial Statements - Continued  
June 30, 2013 and 2012**NOTE G - RELATED PARTY TRANSACTIONS – Continued**

Future lease income, by year, along with the related net present value at June 30, 2013 is as follows:

| <u>Year ending<br/>June 30</u>                          |                     |
|---|---------------------|
| 2014  | \$ 500,000          |
| 2015  | 500,000             |
| 2016  | 500,000             |
| 2017  | 500,000             |
| 2018  | 500,000             |
| Later years   | <u>708,333</u>      |
|   | 3,208,333           |
| Less amounts representing interest                      | <u>581,943</u>      |
| Present value of deferred lease income at June 30, 2013 | <u>\$ 2,626,390</u> |

Rental income under the leaseback agreement totaled \$500,000 and \$500,000 for the year ended June 30, 2013 and 2012, respectively. Interest expense imputed on the lease obligation was \$179,020 and \$198,836 for the year ended June 30, 2013 and 2012, respectively.

**Regina Cleri, Inc.**

Pursuant to a Clergy Funds Trustee's resolution, during the year ended June 30, 2013, the Clergy Funds did not provide room and board payments and operational support to Regina Cleri, Inc.. During the year ended June 30, 2012, the Clergy Funds provided \$1,766,500 in room and board payments and operational support to Regina Cleri, Inc. The Clergy Funds Board of Trustee has designated the special event dinner net proceeds and non-operating gifts, bequests and donations to be held for the future long term support of the care for the health and retirement needs of Eligible Priests, including the future operational support of Regina Cleri, Inc.

**Service Fees**

A service fee based on the level of efforts provided for administrative, technology and clerical services is charged to the Clergy Funds by the Roman Catholic Archbishop of Boston, A Corporation Sole ("Corporation Sole"). The fees charged for the years ended June 30, 2013 and 2012 were \$350,000 and \$370,018, respectively.

A service fee based on the level of efforts provided for fundraising is charged to the Clergy Funds by the Roman Catholic Archbishop of Boston, Boston Catholic Development Services ("BCDS"). The fee charged for the years ended June 30, 2013 and June 30, 2012 was \$144,000 and \$147,000, respectively.

**Consulting Fees**

A member of management was previously a contractor for a consulting firm used by the Clergy Funds. Shortly after the close of fiscal year 2012, this individual was paid certain deferred compensation by the consulting firm for past services provided. Total fees paid to this consulting firm for the years ended June 30, 2013 and 2012 were \$79,000 and \$79,000, respectively.

## **ARCHDIOCESE OF BOSTON CLERGY FUNDS**

Notes to Financial Statements - Continued

June 30, 2013 and 2012

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### **NOTE H - FAIR VALUE MEASUREMENTS**

The Clergy Funds measures the fair values of assets and liabilities as an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy is used to prioritize the inputs to valuation techniques used to measure fair value. The Clergy Funds classifies its assets and liabilities into Level 1 (securities valued using quoted prices from active markets for identical assets), Level 2 (securities not traded on an active market for which observable market inputs are readily available), and Level 3 (securities valued based on significant unobservable inputs). Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Other investments consist of certificates of deposit and mutual funds. The mutual funds are valued based on quoted prices in active markets and are classified within Level 1 of the fair value hierarchy. Certificates of deposit are valued based on quoted prices in active markets of similar instruments and are classified within Level 2 of the fair value hierarchy.

The Clergy Funds' financial assets that are accounted for at fair value on a recurring basis as of June 30, 2013 consisted mutual funds (level 1) with a value of \$14,963,492. Financial assets that are accounted for at fair value on a recurring basis as of June 30, 2012 consisted mutual funds (level 1) and certificates of deposit (level 2) with fair values of \$10,094,185 and \$6,003,313, respectively.

### **NOTE I - FINANCIAL INSTRUMENTS AND CONCENTRATIONS OF CREDIT RISK**

The Clergy Funds' financial instruments that are potentially subject to concentrations of credit risk consist of cash, cash equivalents (note C), and investments.

The Clergy Funds invest in various investment securities. 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 retirement 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 affect the financial statements.

## **ARCHDIOCESE OF BOSTON CLERGY FUNDS**

Notes to Financial Statements - Continued

June 30, 2013 and 2012

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### **NOTE J - REPORTING AND DISCLOSURE BY CORPORATION SOLE**

The accounting and financial disclosures within this report for the Clergy Funds are prepared under the provisions of Accounting and Reporting by Defined Benefit Pension Plans and Health and Welfare Plans. The primary objective of the Clergy Funds financial statement is to provide financial information that is useful in assessing the Clergy Funds present and future ability to pay benefits when due.

Clergy Funds is the retirement vehicle for the Eligible priests assigned to the Roman Catholic Archdiocese of Boston. Accordingly, the financial reporting of Corporation Sole as the employer of these priests, includes corresponding accounting and financial disclosures relating to the Clergy Funds' retirement and other post-retirement benefits.

### **NOTE K - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through October 15, 2013, which is the date the financial statements were available to be issued. There were no subsequent events that would require recognition or additional disclosure in the Clergy Fund's financial statements.

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**SUPPLEMENTAL INFORMATION**

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**ARCHDIOCESE OF BOSTON CLERGY FUNDS**  
Combining Statements of Net Assets Available for Benefits  
June 30, 2013

|   | <u>MEDICAL<br/>TRUST</u> | <u>RETIREMENT<br/>TRUST</u> | <u>FUNDING<br/>TRUST</u> | <u>TOTAL<br/>CLERGY<br/>FUNDS</u> |
|---|--------------------------|-----------------------------|--------------------------|-----------------------------------|
| <b>ASSETS</b>                                   |                          |                             |                          |                                   |
| Cash and cash equivalents                       | \$ 2,388,268             | \$ 915,165                  | \$ 9,540,916             | \$ 12,844,349                     |
| Investments, at fair value (notes D and H)      | 501,065                  | -                           | 14,462,427               | 14,963,492                        |
| Participating entities receivable, net (note E) | 5,600                    | -                           | -                        | 5,600                             |
| Accounts receivable, Medicare                   | 150,000                  | -                           | -                        | 150,000                           |
| Contributions receivable                        | -                        | -                           | 75,000                   | 75,000                            |
| Accounts receivable, other                      | -                        | -                           | 52,212                   | 52,212                            |
| Land and buildings, net (notes C, F and G)      | -                        | -                           | 13,099,237               | 13,099,237                        |
| Prepaid expenses (note C)                       | -                        | 324,351                     | 19,938                   | 344,289                           |
|   | <u>3,044,933</u>         | <u>1,239,516</u>            | <u>37,249,730</u>        | <u>41,534,179</u>                 |
| Total assets                                    | \$ 3,044,933             | \$ 1,239,516                | \$ 37,249,730            | \$ 41,534,179                     |
| <b>LIABILITIES</b>                              |                          |                             |                          |                                   |
| Accounts payable and accrued expenses           | \$ 189,980               | \$ -                        | \$ 98,461                | \$ 288,441                        |
| Deferred income (note C)                        | -                        | -                           | 400,578                  | 400,578                           |
| Deferred lease income (note G)                  | -                        | -                           | 2,626,390                | 2,626,390                         |
|   | <u>189,980</u>           | <u>-</u>                    | <u>3,125,429</u>         | <u>3,315,409</u>                  |
| Total liabilities                               | 189,980                  | -                           | 3,125,429                | 3,315,409                         |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>        |                          |                             |                          |                                   |
| Total Net Assets Available for Benefits         | <u>\$ 2,854,953</u>      | <u>\$ 1,239,516</u>         | <u>\$ 34,124,301</u>     | <u>\$ 38,218,770</u>              |

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**  
Combining Statements of Net Assets Available for Benefits  
June 30, 2012

|   | <u>MEDICAL<br/>TRUST</u> | <u>RETIREMENT<br/>TRUST</u> | <u>FUNDING<br/>TRUST</u> | <u>TOTAL<br/>CLERGY<br/>FUNDS</u> |
|---|--------------------------|-----------------------------|--------------------------|-----------------------------------|
| <b>ASSETS</b>                                   |                          |                             |                          |                                   |
| Cash and cash equivalents                       | \$ 1,071,589             | \$ 1,583,966                | \$ 5,919,288             | \$ 8,574,843                      |
| Investments, at fair value (notes D and H)      | 1,002,630                | -                           | 15,094,868               | 16,097,498                        |
| Participating entities receivable, net (note E) | 7,700                    | -                           | -                        | 7,700                             |
| Accounts receivable, Medicare                   | 150,000                  | -                           | -                        | 150,000                           |
| Contributions receivable                        | -                        | -                           | 150,000                  | 150,000                           |
| Accounts receivable, other                      | -                        | 86                          | 257,662                  | 257,748                           |
| Land and buildings, net (notes C, F and G)      | -                        | -                           | 13,439,911               | 13,439,911                        |
| Prepaid expenses                                | -                        | -                           | 22,295                   | 22,295                            |
|   | <u>\$ 2,231,919</u>      | <u>\$ 1,584,052</u>         | <u>\$ 34,884,024</u>     | <u>\$ 38,699,995</u>              |
| <b>LIABILITIES</b>                              |                          |                             |                          |                                   |
| Accounts payable and accrued expenses           | \$ 32,552                | \$ -                        | \$ 69,870                | \$ 102,422                        |
| Deferred income (note C)                        | -                        | -                           | 203,141                  | 203,141                           |
| Deferred lease income (note G)                  | -                        | -                           | 2,947,369                | 2,947,369                         |
|   | <u>32,552</u>            | <u>-</u>                    | <u>3,220,380</u>         | <u>3,252,932</u>                  |
| <b>NET ASSETS AVAILABLE FOR BENEFITS</b>        |                          |                             |                          |                                   |
| Total Net Assets Available for Benefits         | <u>\$ 2,199,367</u>      | <u>\$ 1,584,052</u>         | <u>\$ 31,663,644</u>     | <u>\$ 35,447,063</u>              |

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**

Combining Statements of Changes in Net Assets Available for Benefits

For the year ended June 30, 2013

|   | <u>MEDICAL<br/>TRUST</u>   | <u>RETIREMENT<br/>TRUST</u> | <u>FUNDING<br/>TRUST</u>    | <u>TOTAL<br/>CLERGY<br/>FUNDS</u> |
|---|----------------------------|-----------------------------|-----------------------------|-----------------------------------|
| <b>OPERATING REVENUE:</b>   |                            |                             |                             |                                   |
| Collections from parishes   | \$ -                       | \$ -                        | \$ 6,448,694                | \$ 6,448,694                      |
| Assessments to participating entities                                   | 6,167,885                  | -                           | 51,885                      | 6,219,770                         |
| Medicare reimbursement  | 130,457                    | -                           | -                           | 130,457                           |
| Total operating revenue   | <u>6,298,342</u>           | <u>-</u>                    | <u>6,500,579</u>            | <u>12,798,921</u>                 |
| <b>OPERATING EXPENSES:</b>  |                            |                             |                             |                                   |
| Benefits:   |                            |                             |                             |                                   |
| Claims paid   | 5,416,955                  | -                           | -                           | 5,416,955                         |
| Retirement benefits   | -                          | 3,815,229                   | -                           | 3,815,229                         |
| Room and board (Note G)   | -                          | -                           | 543,952                     | 543,952                           |
| Plan administrator  | 249,763                    | -                           | -                           | 249,763                           |
| Unassigned and health leave benefits                                    | -                          | -                           | 268,161                     | 268,161                           |
| Other expenses  | (19,415)                   | -                           | 36,929                      | 17,514                            |
| Disability benefits   | -                          | 34,637                      | -                           | 34,637                            |
| Medex benefits  | -                          | 845                         | 31,409                      | 32,254                            |
| Legal - estate planning   | -                          | -                           | 21,500                      | 21,500                            |
| Total benefits  | <u>5,647,303</u>           | <u>3,850,711</u>            | <u>901,951</u>              | <u>10,399,965</u>                 |
| Administration:   |                            |                             |                             |                                   |
| Salaries and benefits   | -                          | -                           | 442,838                     | 442,838                           |
| Service fees  | -                          | -                           | 350,000                     | 350,000                           |
| Contract services   | -                          | -                           | 329,000                     | 329,000                           |
| Fundraising expense   | -                          | -                           | 148,087                     | 148,087                           |
| Professional fees   | -                          | -                           | 131,387                     | 131,387                           |
| Other administrative expenses   | -                          | 2,735                       | 39,252                      | 41,987                            |
| Total administration  | <u>-</u>                   | <u>2,735</u>                | <u>1,440,564</u>            | <u>1,443,299</u>                  |
| Total operating expenses:   | <u>5,647,303</u>           | <u>3,853,446</u>            | <u>2,342,515</u>            | <u>11,843,264</u>                 |
| <b>CHANGE IN NET ASSETS FROM OPERATIONS</b>                             | <u><b>651,039</b></u>      | <u><b>(3,853,446)</b></u>   | <u><b>4,158,064</b></u>     | <u><b>955,657</b></u>             |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>                               |                            |                             |                             |                                   |
| Special event dinner, net of \$264,834 of costs                         | -                          | -                           | 902,490                     | 902,490                           |
| Gifts, bequests and donations   | -                          | 505,000                     | 34,702                      | 539,702                           |
| Rental income (Note G)  | -                          | -                           | 500,000                     | 500,000                           |
| Interest and dividends  | 11,027                     | 3,910                       | 279,801                     | 294,738                           |
| Net realized and unrealized gains (losses) on investments               | (6,480)                    | -                           | 105,295                     | 98,815                            |
| Interest expense (Note G)   | -                          | -                           | (179,021)                   | (179,021)                         |
| Depreciation expense (Note F)   | -                          | -                           | (340,674)                   | (340,674)                         |
| Total non-operating revenues  | <u>4,547</u>               | <u>508,910</u>              | <u>1,302,593</u>            | <u>1,816,050</u>                  |
| <b>NET (DECREASE) INCREASE IN NET ASSETS<br/>AVAILABLE FOR BENEFITS</b> | <u><b>655,586</b></u>      | <u><b>(3,344,536)</b></u>   | <u><b>5,460,657</b></u>     | <u><b>2,771,707</b></u>           |
| Net asset Funding (to)/from Clergy Benefit Trust                        | -                          | 3,000,000                   | (3,000,000)                 | -                                 |
| <b>NET ASSETS AVAILABLE FOR BENEFITS:</b>                               |                            |                             |                             |                                   |
| <b>BEGINNING OF YEAR</b>  | <u><b>2,199,367</b></u>    | <u><b>1,584,052</b></u>     | <u><b>31,663,644</b></u>    | <u><b>35,447,063</b></u>          |
| <b>END OF YEAR</b>  | <u><b>\$ 2,854,953</b></u> | <u><b>\$ 1,239,516</b></u>  | <u><b>\$ 34,124,301</b></u> | <u><b>\$ 38,218,770</b></u>       |

**ARCHDIOCESE OF BOSTON CLERGY FUNDS**  
Combining Statements of Changes in Net Assets Available for Benefits  
For the year ended June 30, 2012

|   | <u>MEDICAL<br/>TRUST</u> | <u>RETIREMENT<br/>TRUST</u> | <u>FUNDING<br/>TRUST</u> | <u>TOTAL<br/>CLERGY<br/>FUNDS</u> |
|---|--------------------------|-----------------------------|--------------------------|-----------------------------------|
| <b>OPERATING REVENUE:</b>   |                          |                             |                          |                                   |
| Collections from parishes   | \$ -                     | \$ 250                      | \$ 7,252,447             | \$ 7,252,697                      |
| Assessments to participating entities                                   | 6,505,662                | -                           | 80,324                   | 6,585,986                         |
| Medicare reimbursement  | 115,675                  | -                           | -                        | 115,675                           |
| Total operating revenue   | <u>6,621,337</u>         | <u>250</u>                  | <u>7,332,771</u>         | <u>13,954,358</u>                 |
| <b>OPERATING EXPENSES:</b>  |                          |                             |                          |                                   |
| Benefits:   |                          |                             |                          |                                   |
| Claims paid   | 5,879,336                | -                           | -                        | 5,879,336                         |
| Retirement benefits   | -                        | 3,747,246                   | -                        | 3,747,246                         |
| Room and board  | -                        | -                           | 2,565,648                | 2,565,648                         |
| Plan administrator  | 248,337                  | -                           | -                        | 248,337                           |
| Unassigned and health leave benefits                                    | -                        | -                           | 240,632                  | 240,632                           |
| Other expenses  | 30,669                   | -                           | 25,004                   | 55,673                            |
| Disability benefits   | -                        | 42,909                      | -                        | 42,909                            |
| Medex benefits  | -                        | -                           | 36,892                   | 36,892                            |
| Legal - estate planning   | -                        | -                           | 30,500                   | 30,500                            |
| Total benefits  | <u>6,158,342</u>         | <u>3,790,155</u>            | <u>2,898,676</u>         | <u>12,847,173</u>                 |
| Administration:   |                          |                             |                          |                                   |
| Salaries and benefits   | -                        | -                           | 420,880                  | 420,880                           |
| Service fees  | -                        | -                           | 370,018                  | 370,018                           |
| Contract services   | -                        | -                           | 332,920                  | 332,920                           |
| Fundraising expense   | -                        | -                           | 148,777                  | 148,777                           |
| Professional fees   | -                        | -                           | 93,542                   | 93,542                            |
| Other administrative expenses   | -                        | -                           | 50,791                   | 50,791                            |
| Total administration  | <u>-</u>                 | <u>-</u>                    | <u>1,416,928</u>         | <u>1,416,928</u>                  |
| Total operating expenses:   | <u>6,158,342</u>         | <u>3,790,155</u>            | <u>4,315,604</u>         | <u>14,264,101</u>                 |
| <b>CHANGE IN NET ASSETS FROM OPERATIONS</b>                             | <u>462,995</u>           | <u>(3,789,905)</u>          | <u>3,017,167</u>         | <u>(309,743)</u>                  |
| <b>NON-OPERATING REVENUES (EXPENSES):</b>                               |                          |                             |                          |                                   |
| Special event dinner, net of \$244,188 of costs                         | -                        | 20,000                      | 759,076                  | 779,076                           |
| Gifts, bequests and donations   | -                        | 733,198                     | 377,925                  | 1,111,123                         |
| Rental income (Note G)  | -                        | -                           | 500,000                  | 500,000                           |
| Interest and dividends  | 7,408                    | 13,243                      | 166,501                  | 187,152                           |
| Net realized and unrealized gains on investments                        | -                        | -                           | 32,698                   | 32,698                            |
| Interest expense (Note G)   | -                        | -                           | (198,836)                | (198,836)                         |
| Depreciation expense (Note F)   | -                        | -                           | (340,674)                | (340,674)                         |
| Total non-operating revenues  | <u>7,408</u>             | <u>766,441</u>              | <u>1,296,690</u>         | <u>2,070,539</u>                  |
| <b>NET (DECREASE) INCREASE IN NET ASSETS<br/>AVAILABLE FOR BENEFITS</b> | <u>470,403</u>           | <u>(3,023,464)</u>          | <u>4,313,857</u>         | <u>1,760,796</u>                  |
| <b>NET ASSETS AVAILABLE FOR BENEFITS:</b>                               |                          |                             |                          |                                   |
| <b>BEGINNING OF YEAR</b>  | <u>1,728,964</u>         | <u>4,607,516</u>            | <u>27,349,787</u>        | <u>33,686,267</u>                 |
| <b>END OF YEAR</b>  | <u>\$ 2,199,367</u>      | <u>\$ 1,584,052</u>         | <u>\$ 31,663,644</u>     | <u>\$ 35,447,063</u>              |