

**ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
HEALTH BENEFIT PLAN**

**FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT**

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

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JUNE 30, 2009 AND 2008**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Roman Catholic Archdiocese of Boston Health Benefit Plan:

We have audited the accompanying statement of benefit obligations and net assets available for benefits of Roman Catholic Archdiocese of Boston Health Benefit Plan (the Plan) as of June 30, 2009, and the related statement of changes in benefit obligations and net assets available for benefits for the year 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 audit. The financial statements and supplemental schedule of cash receipts and disbursements and changes in cash of the Plan as of June 30, 2008, were audited by other auditors. Their report, dated December 19, 2008, indicated that the financial statements and supplemental schedule, referred to above present fairly, in all material respects, the financial status of the Plan as of June 30, 2008, and the changes in its financial status for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

We conducted our audit 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 audit provides 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 Roman Catholic Archdiocese of Boston Health Benefit Plan as of June 30, 2009, and the changes in its financial status for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Alexander, Aronson, Finning, & Co., P.C.

Wellesley, Massachusetts
July 29, 2010

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

**STATEMENTS OF BENEFIT OBLIGATIONS AND NET ASSETS AVAILABLE FOR BENEFITS
JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
BENEFIT OBLIGATIONS -		
Claims payable and estimated claims incurred but not yet reported	\$ 6,896,029	\$ 6,500,780
NET ASSETS AVAILABLE FOR BENEFITS:		
ASSETS:		
Cash	3,653,345	2,676,768
Cash equivalents	21,679,020	26,601,398
Participating employers' contributions receivable, net of allowance for uncollectible accounts of \$889,503 and \$818,000 as of June 30, 2009 and 2008, respectively	1,628,190	832,036
Other receivable	<u>202,279</u>	<u>170,449</u>
Total assets	27,162,834	30,280,651
LIABILITIES -		
Accounts payable and accrued expenses	<u>185,550</u>	<u>34,459</u>
Net assets available for benefits	<u>26,977,284</u>	<u>30,246,192</u>
EXCESS OF NET ASSETS AVAILABLE FOR BENEFITS OVER BENEFIT OBLIGATIONS:		
Board-designated	7,619,155	6,910,495
Excess of Board-designated	<u>12,462,100</u>	<u>16,834,917</u>
Total excess of net assets available for benefits over benefit obligations	<u>\$ 20,081,255</u>	<u>\$ 23,745,412</u>

The accompanying notes are an integral part of these statements.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

**STATEMENTS OF CHANGES IN BENEFIT OBLIGATIONS AND
NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
NET DECREASE IN BENEFIT OBLIGATIONS -		
Claims payable and estimated claims incurred but not reported	\$ 395,250	\$ 969,445
NET INCREASE (DECREASE) IN NET ASSETS AVAILABLE FOR BENEFITS:		
ADDITIONS TO NET ASSETS:		
Employer contributions -		
Health plan	73,232,988	68,469,222
Dental plan	1,713,929	1,656,239
Interest and other income	464,072	1,247,297
Total additions	<u>75,410,989</u>	<u>71,372,758</u>
DEDUCTIONS FROM NET ASSETS:		
Claims paid -		
Health claims	72,129,072	68,401,130
Dental claims	1,526,110	1,384,671
Total claims paid	<u>73,655,182</u>	<u>69,785,801</u>
Administrative expenses -		
Medical and dental claim processing	4,169,946	3,983,552
Actuarial and consulting	213,792	133,515
Professional fees	88,738	37,381
Wellness program	25,179	519,386
Administration - Roman Catholic Archbishop of Boston, A Corporation Sole	410,266	364,620
Office and other administrative expenses	45,290	45,564
Total administrative expenses	<u>4,953,211</u>	<u>5,084,018</u>
Provision for uncollectible assessments	71,503	234,271
Total deductions	<u>78,679,896</u>	<u>75,104,090</u>
Net decrease in net assets available for benefits	<u>(3,268,907)</u>	<u>(3,731,332)</u>
Decrease in excess of net assets available for benefits over benefit obligations	(3,664,157)	(4,700,777)
NET ASSETS AVAILABLE FOR BENEFITS, beginning of year	<u>23,745,412</u>	<u>28,446,189</u>
NET ASSETS AVAILABLE FOR BENEFITS, end of year	<u>\$ 20,081,255</u>	<u>\$ 23,745,412</u>

The accompanying notes are an integral part of these statements.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2009 AND 2008

(1) DESCRIPTION OF PLAN

The following description of the Roman Catholic Archdiocese of Boston Health Benefit Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

a. General

The Plan provides health and dental benefits for eligible employees who work for a participating employer. All participating employers are Catholic organizations that operate within the Archdiocese of Boston.

b. Eligibility

Eligible participants are employees who work 20 hours per week and at least 1,000 hours. School employees must work 24 hours per week, unless the employee is covered by a collective bargaining agreement, and then that employee must work at least 16 hours per week. For all employees desiring coverage, participation begins the first day of the next month following employment.

c. Benefits

The Plan covers eligible employees, their spouses, and all unmarried, dependent children up to nineteen years of age. The Plan also provides health benefits for unmarried, dependent children who are full-time students at an accredited educational or vocational institute until age twenty-five. Payment of medical benefits is made from Plan assets with a maximum life time benefit of \$1,650,000. Dental benefits are self-funded. The maximum dental benefit is at \$1,300 and \$1,250 per person, per year, for the years ended June 30, 2009 and 2008, respectively.

d. Contributions

The Plan document provides that the participating employers make monthly contributions to the Plan of a specified amount for each class of employee. The employer's contribution rates are determined annually by the Plan's trustees.

(2) SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Plan prepares its financial statements in accordance with generally accepted accounting standards and principles established by the Financial Accounting Standards Board (FASB). References to U. S. GAAP in these footnotes are to the FASB Accounting Standards Codification.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from these estimates.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

(Continued)

(2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of presentation of the statements of benefit obligations and net assets available for benefits, cash and cash equivalents includes all checking and savings accounts and overnight investments from the accounts. The Plan deposits its cash in major financial institutions, which are insured by the Federal Deposit Insurance Corporation (FDIC) up to certain amounts. At certain times during the year, cash balances may exceed the insured amounts. The Plan has not experienced any losses in such accounts. The Plan believes it is not exposed to any significant credit risk on cash and cash equivalents.

Participating Employers' Contributions Receivable

Amounts receivable from participating employers are stated net of an allowance for uncollectible accounts, which is reported on the Plan's statements of benefit obligations and 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.

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 are estimated by the Plan's actuaries in accordance with generally accepted actuarial principles. There are no post-retirement benefit obligations associated with this Plan.

Subsequent Events

The preparation of financial statements in accordance with U.S. GAAP requires management to disclose the date through which subsequent events have been evaluated for possible recognition or disclosure in the accompanying financial statements. Subsequent events are transactions or events that occur after the statement of benefit obligations and net assets available for benefits date, but before the financial statements are issued or available to be issued. The accompanying financial statements include the evaluation of subsequent events that have occurred through July 29, 2010, which is the date the financial statements were available to be issued.

(3) FAIR VALUE MEASUREMENT

The Plan has adopted the concept of *Fair Value Measurements* which establishes a framework for measuring fair value. This framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

(Continued)

(3) FAIR VALUE MEASUREMENT (Continued)

The three levels of the fair value hierarchy under this framework are described as follows:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Plan's qualifying assets consist of cash and cash equivalents which are valued at the U.S. currency of the dollar and are all considered to be of Level 1 inputs.

(4) 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, 2009 and 2008, were approximately \$410,000 and \$365,000, respectively.

(5) BOARD-DESIGNATED NET ASSETS

The Board of Trustees has established a targeted reserve for net assets. The methodology to calculate the reserve is 10% of the annualized subsequent July premium. At June 30, 2009 and 2008, the net assets available is sufficient to satisfy this reserve and is presented in the accompany statements of benefit obligations and net assets available for benefits as Board-designated net assets.

(6) RISKS AND UNCERTAINTIES

The Plan invests in various cash related instruments that are potentially subject to various risks such as interest rate, market, and credit risk. Due to the minimal level of risk associated with cash related instruments, it is reasonably possible that that changes in the values of these cash related instruments in the near term would not materially affect the amounts reported in the statements of benefit obligations and net assets available for benefits.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009 AND 2008

(Continued)

(6) RISKS AND UNCERTAINTIES (Continued)

The actuarial present value of benefit obligations is reported based on certain assumptions 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.

(7) OTHER MATTERS

The Trust established under the Plan to hold the Plan's assets is intended to qualify pursuant to Section 501(c)9 of the Internal Revenue Code (IRC) and, accordingly, the Trust's net investment income is exempt from income taxes. The Trust has obtained a favorable tax determination from the Internal Revenue Service, and the Plan sponsor believes that the Trust continues to qualify and to operate in accordance with applicable provisions of the IRC. Therefore, no provisions for income taxes have been included in the accompanying financial statements.

(8) SUBSEQUENT EVENTS

On August 1, 2009, a major participating employer withdrew from the Plan. The withdrawing employer requested a distribution from the excess reserves held by the Plan. Payment was agreed by both parties and paid from the Plan's surplus. The Plan continues to operate without any interruption in health and dental benefits coverages to the remaining participating employers.

SUPPLEMENTAL INFORMATION

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON HEALTH BENEFIT PLAN

**SUPPLEMENTAL SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

	<u>2009</u>	<u>2008</u>
CASH RECEIPTS:		
Employer contributions	\$ 74,040,828	\$ 71,482,275
Interest and other income	406,564	1,247,297
Redemption of cash equivalents	<u>4,922,377</u>	<u>340,771</u>
Total cash receipts	<u>79,369,769</u>	<u>73,070,343</u>
CASH DISBURSEMENTS:		
Claims	77,825,127	69,795,739
General and administrative expenses	<u>568,065</u>	<u>5,132,003</u>
Total cash disbursements	<u>78,393,192</u>	<u>74,927,742</u>
Net increase (decrease) in cash	976,577	(1,857,399)
CASH, beginning of year	<u>2,676,768</u>	<u>4,534,167</u>
CASH, end of year	<u><u>\$ 3,653,345</u></u>	<u><u>\$ 2,676,768</u></u>