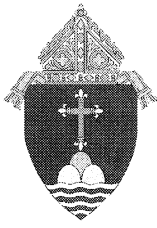


**REPORT TO THE PRIESTS OF THE
ROMAN CATHOLIC ARCHDIOCESE OF BOSTON CLERGY FUNDS (1972 TO 2008),
THE ARCHDIOCESE OF BOSTON CLERGY MEDICAL/HOSPITALIZATION TRUST,
THE ARCHDIOCESE OF BOSTON CLERGY RETIREMENT/DISABILITY PLAN,
THE ARCHDIOCESE OF BOSTON CLERGY BENEFIT TRUST AND
THE BENEFIT TRUST FOR NON-INCARDINATED PRIESTS DULY ASSIGNED
FOR SERVICES IN THE ARCHDIOCESE OF BOSTON**

**AGREED-UPON PROCEDURES
JUNE 2009**



Roman Catholic Archdiocese of Boston
Office of the Chancellor

June 18, 2009

Dear Monsignor/Father:

At the request of you and your brother priests and with the full support of Cardinal Seán, the Archdiocese of Boston commissioned a study to review the history of the Clergy Funds from their very beginning in 1972 through June 2008. This study is but one of several steps in the overall effort to stabilize and restore to full health the Clergy Funds, which provide for the retirement, medical and financial needs of our priests.

From the beginning of our work, the Cardinal has asked us to develop and execute a plan that guarantees the financial future of the Clergy Funds for our priests. The work of rebuilding the Clergy Funds is well underway and is one of the most consultative and transparent processes undertaken by the Archdiocese, with input being received from priests and lay members from extremely diverse and experienced backgrounds. Without question this is one of the Cardinal's top priorities as Archbishop of Boston.

From the start the Cardinal has made clear that he is absolutely committed to provide for the care of our priests. You have earned this respect from a lifetime of giving so much during your ministry to the people of God. To that end, working together, we will not fail you in this endeavor.

The study we are sharing with you was conducted by Joel Aronson, CPA, and his team from Alexander, Aronson, Finning & Co. (AAF), one of the largest full-service public accounting and consulting firms in New England. AAF serves a variety of privately-owned companies and nonprofit organizations throughout New England, as well as in selected states around the country. Their clients are representative of many segments of industry and the professions, including manufacturing companies, professional firms, individual and group medical practices, nonprofit organizations, and health care facilities, among others.

What we are reporting to you in this study is the result of a significant amount of effort by AAF with the assistance of more than 30 priests and staff of the Archdiocese over the past six months. This study clearly shows that over its 37-year history, the Clergy Funds have, as reported by AAF, "experienced a drain on resources due to an aging population of priests and the rising cost of health care." And while "operating revenues have increased over the years, they have not increased at the same pace as expenses."

With that in mind, I want to be clear that AAF has not uncovered any evidence of money being misappropriated or stolen. We concur with this determination and believe that the money collected was used for the purpose it was intended. In this study you will also be able to read answers to the questions we received directly from you and your fellow priests. We thank you for your candid and excellent questions.

As has been discussed, current estimates point to the Clergy Fund's unfunded liability in excess of \$114 million. If not addressed, the Funds will run out of money in 2011. We are simply not going to allow that to happen. The reasons for the deficit include, among others: Christmas and Easter collections have remained relatively flat for the past several years; benefits were substantially increased in 2001;

Pastoral Center
66 Brooks Drive
Braintree, Massachusetts 02184-3839

June 18, 2009

Continued

and there have been dramatic increases in health care and housing costs while the percentage of the senior priest population has increased from 16% to 36%.

Our Clergy Funds Operating Budget is taking in approximately \$5.5 million per year from these collections but we are spending in excess of \$15 million per year.

Under the guidance and direction of the Cardinal, here are just a few of the initial steps being implemented to stabilize the Clergy Funds:

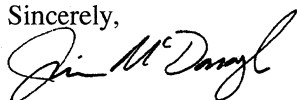
- As announced in September 2008, Mr. Joseph D'Arrigo is providing his many years of expert knowledge in this area to our efforts and is leading the work ahead as we restore the Clergy Funds to strength.
- The Cardinal is expected to affirm shortly the appointment of a Board of Trustees that will incorporate expert professionals from the business and lay community as well as pastors from the Archdiocese.
- A second collection was authorized to be taken the second Sunday in June to support the Clergy Funds. On years where the second Sunday of June is Pentecost the Archdiocese will move the Clergy Funds collection to a Sunday close to the second Sunday in June. Also, this collection will be a regular second collection and will not replace the first collection for the parish.
- As a result of a consultative process, we have introduced new draft policies regarding compensation for priests not assigned and a second round of consultation is underway on policies related to priests' housing.
- Planning is well underway for a major fundraiser in September 2009 that will raise money specifically for the Clergy Funds. We will utilize this being the "Year for Priests" and the Cardinal's 25th anniversary as a Bishop to encourage greater participation by parishes and benefactors when the event is held.

The Cardinal and the Archdiocese of Boston are both canonically and morally obligated to care for our priests. This commitment is embraced without hesitation taking into account the years of dedicated and faithful service to the Catholic community.

The work ahead is challenging but I have faith that we will be successful in attaining our shared goal of stabilizing the Clergy Funds. We owe it to you and with God's grace and blessings we will achieve our goal in the months and years ahead.

Thank you, Father, for all that you do on behalf of Christ and His Church in Boston.

Sincerely,



James P. McDonough
Chancellor

**ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
CLERGY BENEFIT TRUSTS
AGREED-UPON PROCEDURES**

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JUNE, 2009**

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**INDEPENDENT ACCOUNTANT’S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

His Eminence Seán P. Cardinal O’Malley, OFM, Cap.
The Roman Catholic Archbishop of Boston:

We have performed the procedures enumerated in Appendix B, which were agreed to by the management of the Roman Catholic Archdiocese of Boston (the Archdiocese), solely to assist the Archdiocese in verifying the financial information presented in the “Consolidating Statement of Changes in Net Assets” of the Archdiocese of Boston Clergy Medical/Hospitalization Trust, the Archdiocese of Boston Clergy Retirement/Disability Plan, the Archdiocese of Boston Clergy Benefit Trust and the Benefit Trust for Non-Incardinated Priests Duly Assigned for Service in the Archdiocese of Boston (collectively, the Clergy Benefit Trusts) for the fiscal years ended June 30, 1972 through June 30, 2008. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in the report either for the purpose for which this report has been requested or for any other purpose.

The “Consolidating Statement of Changes in Net Assets” is presented in Appendix A. Our procedures and findings are described in Appendix B and related attachments.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the “Consolidating Statement of Changes in Net Assets”; accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Roman Catholic Archdiocese of Boston and is not intended to be and should not be used by anyone other than those specified parties.

Westborough, Massachusetts
June 16, 2009

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures

Executive Summary

Alexander, Aronson, Finning & Co., P.C. (AAF) was engaged by the Roman Catholic Archdiocese of Boston (the Archdiocese) to perform agreed-upon procedures, as specified by the management of the Archdiocese. The objective was to perform agreed-upon procedures to the Archdiocese prepared "Consolidating Statement of Changes in Net Assets" in order to identify any costs that were incurred that were not allowable under the Clergy Benefit Trusts agreements or funds diverted from the Clergy Benefit Trusts since their inception in fiscal year 1972. We were also asked to address specific questions asked by the clergy of the Archdiocese related to the Clergy Benefit Trusts.

This engagement includes: the Archdiocese of Boston Clergy Medical/Hospitalization Trust (Medical Trust), the Archdiocese of Boston Clergy Retirement/Disability Plan (Retirement Trust), the Archdiocese of Boston Clergy Benefit Trust (Benefit Trust) and the Benefit Trust for Non-Incardinated Priests Duly Assigned for Services in the Archdiocese of Boston (Non-Incardinated Trust) (collectively, the Clergy Benefit Trusts).

OVERALL FINANCIAL SUMMARY

The first of the Clergy Benefit Trusts was created in fiscal year 1972. Appendix A summarizes the financial results of the four Clergy Benefit Trusts for the thirty-seven years from July 1, 1971 to June 30, 2008. The summary of the combined financial activity for this period is as follows (rounded to thousands):

Collections, assessments and contributions		\$206,144,000
Expenses:		
Benefit payments	\$273,512,000	
Administrative, professional fees and other	<u>15,053,000</u>	
Total expenses		<u>288,565,000</u>
Net operating deficit		(82,421,000)
Non-operating income -		
Net investment income and gains, gain on property sales and other		<u>130,505,000</u>
Net change in net assets		48,084,000
Beginning net assets, July 1, 1971		<u>611,000</u>
Ending net assets, June 30, 2008		<u>\$ 48,695,000</u>

Ending net assets at June 30, 2008, include approximately \$10,749,000 of non-liquid assets related to the Regina Cleri property and approximately \$37,946,000 of liquid assets.

**Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures**

**Executive Summary
(Continued)**

OVERALL FINANCIAL SUMMARY (Continued)

Beginning in fiscal year 2001, the Trustee of the Clergy Benefit Trusts authorized additional clergy benefits including dental, room and board, including coverage for nursing home and assisted living facilities (housing), and health reimbursements for retired priests. Appendix A-1 summarizes the financial results of the Clergy Benefit Trusts since these additional benefits were added, the eight-year period from July 1, 2000 through June 30, 2008. The summary of the combined financial activity for this period is as follows (rounded to thousands):

Collections, assessments and contributions		\$ 81,981,000
Expenses:		
Benefit payments	\$145,644,000	
Administrative, professional fees and other	<u>5,515,000</u>	
Total expenses		<u>151,159,000</u>
Net operating deficit		(69,178,000)
Non-operating income -		
Net investment income and gains, gain on property sales and other		<u>19,038,000</u>
Net change in net assets		(50,140,000)
Beginning net assets, July 1, 2000		<u>98,835,000</u>
Ending net assets, June 30, 2008		<u>\$ 48,695,000</u>

As illustrated above, expenses over the last eight fiscal years represents 52% of total expenses over the last thirty-seven years. The approximate costs of the additional benefits added in fiscal year 2001 are as follows:

Housing		\$38,992,000
Health reimbursement for retired priests		\$11,951,000
Dental		\$ 1,942,000

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures

Executive Summary
(Continued)

OVERALL FINANCIAL SUMMARY (Continued)

In addition to the added benefits, the Clergy Benefit Trusts have experienced a drain on resources due to an aging population of priests and the rising cost of health care. For example, the stipends paid to retired priests for the first twenty-nine years totaled \$27,408,000 and for the last eight years, this benefit totaled \$28,484,000. The health care, dental and prescription costs for the first twenty-nine years totaled \$69,954,000 and for the last eight years, this benefit totaled \$41,258,000.

Administrative, professional fees and other represent 5.2% of total expenses for the thirty-seven years ended June 30, 2008, and 3.7% for the eight years ended June 30, 2008. These expenses appear reasonable and are well within expected amounts for the nature of the Clergy Benefit Trusts' activities.

Although operating revenues have increased over the years, they have not increased at the same pace as expenses. This is highlighted by the decrease in the net assets over the last eight years of \$50,140,000.

CLERGY BENEFIT TRUSTS EXPENSES

Our procedures were designed to determine if the expenses incurred by the Clergy Benefit Trusts were allowable under the trust agreements and if any material funds intended for the trusts were diverted. Based on the procedures we performed (detailed in Appendix B) we did not identify any use of funds that were outside of the scope of benefits and related costs covered by the trust agreements or any diversion of funds. The trust agreements are written to cover very specific costs but they also cover "...other purposes as, in the discretion of the trustee, may be necessary and desirable for the support and well being of the priests incardinated in the Archdiocese of Boston". This caveat allows for a broad array of benefits to be charged to these funds.

ADMINISTRATIVE LEAVE COSTS

We were asked to verify benefit costs paid by the Clergy Benefit Trusts related to priests placed on administrative leave due to accusations of misconduct with a minor. The Archdiocese staff, through working with outside counsel and the Archdiocese Delegates' Office, identified priests that were accused of misconduct with a minor. The Archdiocese's staff then accumulated the total amount paid from the Clergy Benefit Trusts to priests on such administrative leave during the period July 1, 2000 through June 30, 2008. The total amount paid in that period was approximately \$15,800,000. Prior to July 1, 2000, there were not sufficient financial records still available to compute amounts paid from the Clergy Benefit Trusts to priests who were on administrative leave due to accusations of misconduct with a minor in that period.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures

Executive Summary
(Continued)

ADMINISTRATIVE LEAVE COSTS (Continued)

Set forth in Appendix B are the calculations and assumptions used in determining the total amount documented for the period starting July 1, 2000 through June 30, 2008, and the procedures used by us to check those amounts.

The total costs include payments for stipends (pension), housing, medical reimbursement, and other ancillary costs. As set forth in Appendix B, it was not possible to determine the amount of certain benefit costs paid, principally where costs were paid to a third party on behalf of a priest. The calculations and assumptions used in determining the total amount are documented in Appendix B.

INTERNAL CONTROLS

As indicated under Clergy Benefit Trusts expenses above, we did not identify any usage of Clergy Benefit Trusts' resources to be outside the scope of benefits covered by the trusts. Since the inception of the Clergy Benefit Trusts, we understand, there has existed a Clergy Funds Advisory Committee which met on a regular basis (generally, at least monthly) to review and approve a detailed list of specific expenditures from the Clergy Benefit Trusts. This Committee has consistently been comprised of a number of priests from the Archdiocese, as well as representatives from the Office of the Chancellor. However, we note that in the past management had not established segregation of duties within the Clergy Benefits Office as a component of proper internal controls. Based on our understanding, one person within that office could have approved ancillary medical invoices, received the majority of the related disbursement checks from the Finance Department and disbursed the checks. In addition, one person could have managed the database that was used to prepare pension and housing stipends, supervised the printing with an electronic signature of these disbursements and also disbursed these checks. Also, as identified in Appendix B, there were certain transactions selected for testing for which supporting documentation could not be located. Although we found no evidence of any misappropriation or theft of funds and the transactions we tested were in accordance with the trust agreements, the lack of internal controls prevents us from stating any absolute conclusion on that subject. In addition, although there may have been internal approvals and supervisory oversight within the Clergy Benefits Office itself, we were unable to locate written indication of such approvals of individual transactions. Management has advised us that appropriate internal controls requiring segregation of duties are currently in place. Finally, we note that the Clergy Benefit Trusts were also subject to annual audits conducted by independent certified public accountants from the later of fiscal year 1984 or inception through June 30, 2008. Those audit reports were unqualified.

**Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures**

**Executive Summary
(Continued)**

PROPERTY AND LOAN TRANSACTIONS

Over the last thirty-seven years, the Clergy Benefit Trusts have owned three pieces of property. Following is a summary of the real estate transactions:

	<u>Regina Cleri</u>	<u>Wings Neck</u>	<u>Our Lady's Hall</u>
Date Acquired	Fiscal Year 2000	Fiscal Year 2000	Fiscal Year 2001
Acquisition Price	\$14,500,000	\$1,750,000	\$1,900,000
Acquired From	Regina Cleri, Inc.	Regina Cleri, Inc.	The Archdiocese
Date Sold	-	Fiscal Year 2004	Fiscal Year 2004
Sold To	-	Unrelated Party	Unrelated Party
Sales Price	-	\$2,550,000	\$3,500,000
Net Proceeds (Outflows)	See below	\$2,433,000	\$3,022,000

The Regina Cleri and Wings Neck Properties were acquired in one transaction. A summary of this transaction is as follows:

Payments to Regina Cleri	\$ 1,311,832
Payoff of Regina Cleri's existing debt and accrued interest	6,533,161
Forgiveness of debt owed by Regina Cleri to Clergy Benefit Trusts	2,505,007
Payoff of debt on Wings Neck property	166,218
Closing costs	<u>66,883</u>
 Cash Outlays	 10,583,101
Fair value of Regina Cleri, Inc.'s free use of the building	<u>5,666,990</u>
 Total acquisition price	 <u>\$16,250,091</u>

The Regina Cleri property was originally purchased by Regina Cleri, Inc. from the Archdiocese for \$1 in 1996. Substantial renovations were done to the property while it was owned by Regina Cleri, Inc. Subsequent to the sale of the building to Clergy Benefit Trusts, additional renovations of approximately \$2,521, 000 were made and paid for by the Clergy Benefit Trusts.

The Wings Neck property was donated to Regina Cleri, Inc. by the estate of a priest of the Archdiocese. Renovations were made on this property while it was owned by Regina Cleri, Inc.

The Clergy Benefit Trusts still owns the Regina Cleri property located in Boston, Massachusetts.

**Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures**

**Executive Summary
(Continued)**

PROPERTY AND LOAN TRANSACTIONS (Continued)

The following loans were made during the last thirty-seven years. As of June 30, 2008, all loans and interest have been repaid to the Clergy Benefit Trusts:

	Borrower		
	<u>Regina Cleri, Inc.</u>	<u>The Archdiocese</u>	<u>Planning Office for Urban Affairs</u>
Date Made	Fiscal Year 1996	December, 2003	December, 2001
Amount	\$1,000,000	\$15,000,000	\$4,150,000
Additional Principal	<u>1,163,384</u>	<u>-</u>	<u>-</u>
Total Loan	<u>\$2,163,384</u>	<u>\$15,000,000</u>	<u>\$4,150,000</u>
Repayment Date	July, 1999	June, 2004	July, 2003
Principal Repaid	\$2,163,384	\$15,000,000	\$4,150,000
Interest Paid	341,623	913,391	521,054
Financing Fee paid	-	1,500,000	-
Additional Remuneration	<u>-</u>	<u>1,788,996</u>	<u>-</u>
Total Repaid	<u>\$2,505,007</u>	<u>\$19,202,387</u>	<u>\$4,671,054</u>

In October, 2003, the Retirement Trust liquidated \$30,000,000 of investments in anticipation of loaning to the Archdiocese funds for abuse settlements. As noted above, in December, 2003, a \$15,000,000 loan was made to the Archdiocese. These funds were repaid in full in June, 2004, including a financing fee, interest and remuneration for the loss of investment income and gains for the \$15,000,000 that was liquidated and not loaned.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures

Executive Summary
(Continued)

CONCLUSION

As indicated throughout this report, the Clergy Benefit Trusts have experienced a decline in liquid net assets available for the retirement, medical and other financial needs of the priests of the Archdiocese. A summary of major contributors to the decline and the approximate related amounts, all of which are addressed in this report, is as follows:

Additional benefits added beginning in fiscal year 2001 for housing related benefits	\$39,000,000
Additional benefits added beginning in fiscal year 2001 for health reimbursements for retired priests	\$12,000,000
Additional benefits added beginning in fiscal year 2001 for dental costs	\$ 1,900,000
Payments for priests placed on administrative leave due to accusations of misconduct with a minor	\$15,800,000
Clergy Benefit Trusts net cash used to acquire the Regina Cleri Properties	\$10,700,000

These items total \$79,400,000. Assuming an average rate of return of 7.1%, which was provided to us by the Archdiocese's staff and represents the rate of return on the investment portfolio from inception through June 30, 2008, the \$79,400,000 would have grown to approximately \$110,000,000 as of June 30, 2008.

We did not identify any use of Clergy Benefit Trusts funds that were outside the scope of benefits and related costs covered by the trust agreements or any diversion of funds.

**Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures**

Specific Clergy Questions and Responses

The following are questions asked specifically by the Clergy of the Roman Catholic Archdiocese of Boston in relation to the Clergy Benefit Trusts. We obtained these questions from the Chancellor. Our procedures noted in Appendix B were, in part, the basis for the answers to these questions:

- 1) In a November, 1998, letter from Bishop Murphy (see Attachment 1), he states “This letter is intended to make you aware that the Clergy Retirement/Disability Plan is fully funded and that the Clergy Medical/Hospitalization Plan and Clergy Benefit Trust need continued close monitoring by the Clergy Fund Advisory Committee and increased support from all the Priests of the Archdiocese”. What happened between 1998 and 2008 to cause the Clergy Benefit Trusts to be underfunded?

Answer: At the close of fiscal year 1998, the Retirement Trust had unrestricted net assets of \$76,917,000 and paid expenses of approximately \$2,300,000 in that year, which was the highest since inception. That year, the change in Net Assets of the Clergy Retirement was \$9,387,000. For the previous eleven fiscal years, the Retirement Trust had a surplus based on investment income and small contributions they received directly, and had not used any of the Christmas or Easter collections money. At that point in time, the Retirement Trust was in good financial health and had been supporting its operations from investment income only. This favorable financial picture continued through fiscal year 2000. In fiscal year 2001, the year in which the benefits covered increased significantly, the financial picture began to turn. The Retirement Trust’s expenses in 2001 increased to \$8,242,000 from \$2,976,000. In 2001, this increase of expenses, combined with losses in the investment portfolio of \$4,014,000, contributed to a deficit for that year of \$11,579,000. Since fiscal year 2001, the added benefits provided by the Retirement Trust have added a total of \$49,210,000 of expenses as follows:

Housing	\$37,259,000
Health insurance for retired priests	\$11,951,000

In addition, during this timeframe, the retirement stipends have nearly doubled from \$2,462,000 in 2000 to \$4,227,000 in 2008.

The Medical Trust at the close of fiscal year 1998 had an accumulated deficit of \$925,000. Since 1998, the costs of the Medical Trust have gone up 32%, while the assessment revenue has increased 196%. The increase in expenses again is attributable to added benefits such as dental and health insurance reimbursement. Despite the increase in the assessments, the Medical Trust has relied on a “Subsidy” from the Benefit Trust each year. The total amount transferred to the Medical Trust from the Benefit Trust since 1972 was \$48,312,000.

**Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures**

**Specific Clergy Questions and Responses
(Continued)**

1) (Continued)

In 1998, the Benefit Trust had net assets of \$19,734,000. At June 30, 2008, these net assets are \$2,848,000. Since 1998, the direct expenses have increased from \$2,392,000 to \$3,024,000 in 2008 or 26%. The largest factor in this increase is two new benefits added in the early 2000's, health insurance and room and board, for which the Benefit Trust has paid out a cumulative \$2,476,000 and \$1,747,000, respectively, through June 30, 2008.

2) The Christmas and Easter Collections, by public report, have not been used for Clergy Retirement but for the overall Trust Fund. Did these monies in fact go to the Clergy Benefit Trust Fund? If yes, how specifically were they allocated? If no, where did the monies go?

Answer: The Easter and Christmas collections have been deposited into the following trusts over the past thirty-seven years:

Benefit Trust (\$113,035,006)
Retirement Trust (\$19,760,323)
Non-incardinated Trust (\$514,920)

Although the collections were deposited into these accounts, transfers have been made between all four Clergy Benefit Trusts as needed, as follows:

- From Benefit Trust to Retirement Trust \$32,525,129
- From Benefit Trust to Medical Trust \$48,311,746
- From Benefit Trust to Non-Incardinated Trust \$50,000
- From Retirement Trust to Non-Incardinated Trust \$75,000

We reconciled the financial statements to the collection data base for fiscal years 2001 through 2008. We did not note any funds from the Easter and Christmas collections which were diverted from the Clergy Benefit Trusts and used for other purposes.

We did identify three parish collections over the eight year period totaling \$18,437 that were indicated as being remitted to the Clergy Benefit Trusts, but could not trace the deposits into the cash accounts. There were also 26 parishes out of approximately 300 that missed one or more collections. Eleven parishes missed multiple collections, however, we do note these parishes were subsequently closed. For detailed procedures performed and results see Procedures 9 – 11 in Appendix B.

**Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures**

**Specific Clergy Questions and Responses
(Continued)**

- 3) Did the Clergy Benefit Trusts exchange their liquid assets for non-liquid assets? Specifically, what was the nature of the sale of Regina Cleri, Our Lady's Hall and the house on the Cape and who benefited from the proceeds?

Answer: The Clergy Benefit Trusts did exchange liquid assets for the Archdiocese and Regina Cleri, Inc.'s non-liquid assets. Three properties have been purchased over the thirty-seven year history, of which two have been sold for a profit, which was retained by the appropriate trust. The third property, which is still owned by the Retirement Trust, is the Regina Cleri retirement home located in Boston, Massachusetts. The purchase of this property resulted in the use of cash of \$8,078,000 (approximately \$1,312,000 to Regina Cleri, Inc., \$6,699,000 to pay off outstanding bank notes on the properties, and \$67,000 in closing costs).

The Clergy Benefit Trusts also forgave \$2,505,000 of debt owed by Regina Cleri. Included in this purchase price was the Wings Neck property which was then sold and netted a cash payment of \$2,433,000 to the Retirement Trust. In addition, from the time the Retirement Trust acquired the Regina Cleri building through June 30, 2008, Clergy Retirement spent and capitalized approximately \$2,521,000 of renovations to the building.

During 2001, the Benefit Trust purchased Our Lady's Hall from the Archdiocese for \$1,900,000 and sold the property to a developer in fiscal year 2004 for \$2,821,902, net of closing costs.

Following is a summary of the net transfer of liquid assets for non-liquid assets:

All payments made by the Clergy Benefit Trusts

	<u>Property</u>		<u>Total</u>
	<u>Regina Cleri/ Wings Neck</u>	<u>Our Lady's Hall</u>	
Payments made for:			
Regina Cleri, Inc.	\$ 1,312,000	\$ -	\$ 1,312,000
Payment of debt	6,533,000	-	6,533,000
The Archdiocese	-	1,900,000	1,900,000
Improvements to Regina Cleri	2,521,000	-	2,521,000
Forgiveness of debt	2,505,000	-	2,505,000
Pay-off of debt for Wings			
Neck property	166,000	-	166,000
Closing costs	67,000	-	67,000
	<u>13,104,000</u>	<u>1,900,000</u>	<u>15,004,000</u>
Less - cash proceeds from sales	<u>2,433,000</u>	<u>2,822,000</u>	<u>5,255,000</u>
 Total (use) of liquid assets for non-liquid assets	 <u>\$(10,671,000)</u>	 <u>\$ 922,000</u>	 <u>\$(9,749,000)</u>

Attachment 2 shows a complete history of the above transactions.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures

Specific Clergy Questions and Responses
(Continued)

3) (Continued)

We verified that all proceeds from the sales of these properties were deposited into the appropriate Trust's bank account.

4) In the past, Archdiocese officials have suggested that the Clergy Benefit Trusts lost money in the stock market. How did the performance of Clergy Benefit Trusts' investments compare with industry benchmarks?

Answer: Cumulatively, the Clergy Benefit Trusts have not lost money in the stock market through June 30, 2008. The Clergy Benefit Trusts have been invested in the Archdiocese Collective Investment Partnership, (Partnership), a pooled investment vehicle of the Archdiocese. From inception of the Clergy Benefit Trusts to June 30, 2008, the Partnership has had an average annual return of 7.1%. For the same period of time the industry benchmark has had an average annual return between 7.4% and 7.5%, slightly above the Partnership's average annual return. For the subsequent period through April 30, 2009, the Partnership's investments have performed better than the industry, depreciating by 13.9% when compared to the industry benchmark depreciation between 16.7% and 17.6%. Included in Attachment 3 is the Partnership's performance compared to the indexes as of June 30, 2008, and then as of April 30, 2009. This information was prepared by Madison Portfolio Consultants, investment advisors to the Partnership. We have not verified their calculations or assumptions.

5) In the past, Archdiocesan officials have suggested that the Clergy Benefit Trusts lost value due to changes in benefits and actuarial assumptions. What were these changes (if any) and how did these changes impact the balance and projected outlays of the Clergy Benefit Trusts?

Answer: Towers Perrin became the actuary of the Clergy Benefit Trusts in 2000. In 1999, prior to Towers Perrin, the Clergy Benefit Trusts were believed to have a surplus of approximately \$21 million. As of the most recent valuation on June 30, 2008, the plan has a deficit of \$114.5 million, an increase in the shortfall of \$136 million. This change from 1999 to 2008 is generally attributed as follows:

- Changes in the valuation of benefits increased the shortfall by \$83 million. The most significant changes were obligations not accounted for prior to 2000 when Towers Perrin became actuary. These were future obligations for retiree medical and housing benefits, which include nursing home and assisted living costs.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures

Specific Clergy Questions and Responses
(Continued)

5) (Continued)

- Changes in actuarial assumptions increased the shortfall by a net \$22 million. This includes changes from plan experience and general trends/expectations. The specific changes were increases in the medical cost assumptions, strengthening of the mortality assumption reflecting longevity improvements, a decrease in the valuation discount rate reflecting a lower interest environment, and the elimination of the automatic COLA adjustment that had been assumed in prior valuations.
- Total benefits paid out exceeded cash contributions. Additionally, investment return over the years was below projected returns. These facts contributed to a reduction in net assets available for benefits increasing the shortfall by \$31 million.

This information was prepared by Towers Perrin, the actuary of the Clergy Benefit Trusts. We have not verified their calculations or assumptions.

6) At one time, the Clergy Trust Fund and the Lay Retirement Fund were both reported as under-funded. Since that time, the Clergy Fund has continued to decline, while the Lay Fund has continued to improve. What explains this difference?

Answer: This difference is primarily from two facts:

First, the Lay Retirement Fund is strictly a pension plan; it does not provide any medical or housing benefits. Whereas, the Clergy Benefit Trusts provide pensions, medical and housing benefits.

Second, \$12.7 million was paid during fiscal year 2006 out of parish reconfiguration funds to the Lay Employee Pension Plan to fund past due pension obligations associated with lay employees at Archdiocesan parishes.

We do note that in fiscal year 2006, \$3.0 million of the parish reconfiguration funds were used to restore previous parish forgiven obligations. From this reconfiguration funding the Medical Trust received \$435,700 for its respective obligations that were forgiven.

7) It has been stated that the Clergy Benefit Trusts have been used to support priests on administrative leave. What was the nature of this support, when did it begin, how much did it cost the Fund, and what was the average (inflation-adjusted) benefit given to priests on administrative leave?

**Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures**

Specific Clergy Questions and Responses
(Continued)

7) (Continued)

Answer: Funds were paid out of the Clergy Benefit Trusts for expenses associated with priests on administrative leave for alleged misconduct with a minor. The total costs identified relating to these priests approximated \$15,800,000 for the fiscal years 2001 through 2008. Prior to July 1, 2000, there were not sufficient financial records still available to compute amounts paid from the Clergy Benefit Trusts to priests who were on administrative leave due to accusations of misconduct with a minor in that period.

Management acknowledges that costs were paid out of these trusts for this population of priests before this date, although the amount cannot be quantified. This number includes actual payments, estimates and assumptions for the following costs: stipends (pension), housing, medical reimbursement and other ancillary health related costs reimbursed to the individual. This number does not include supplemental insurance, any excess health costs paid on behalf of a priest in excess of the average health insurance costs of all participants, funeral expenses and other medical costs paid on behalf of the priests to a third party.

8) Questions have been raised whether the Archdiocese used Clergy Benefit Trusts to settle allegations of misconduct by priests. Were assets of the Trusts used, either directly or indirectly, for this purpose? Were settlements paid from these Trusts prior to the public revelations of 2002?

Answer: The sources of funds used to settle sexual misconduct claims have been set forth in detail in the Annual Financial Reports posted by the Archdiocese on its website at www.bostoncatholic.org starting with the Report issued April 19, 2006, entitled "Financial Disclosure of the Archdiocese of Boston Regarding Sexual Abuse Settlements and Related Costs." That report includes a comprehensive accounting of the sources used to settle sexual abuse claims prior to June 30, 2005. Three subsequent Annual Reports have covered the three fiscal years since June 30, 2005. Our testing of detailed expenses cover the period from 2001 through 2008. We did not note any disbursements for items we tested which appear to have been used for settlements of allegations of misconduct. As described in Appendix B, Procedure 8, the Retirement Trust made a short-term bridge loan to the Archdiocese that was repaid from the first Brighton campus sale. The Archdiocese used the proceeds of this loan to help fund the global settlement in December 2003.

**Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures**

**Specific Clergy Questions and Responses
(Continued)**

8) (Continued)

The following table outlines the sources and uses of funds as described in the annual reports:

<u>Sources of Funds</u>	Fiscal Year				
	2008	2007	2006	2005 Prior	Total
Insurance recoveries	\$ 1,603,822	\$1,069,425	\$6,201,468	\$ 43,400,000	\$ 52,274,715
Self-insurance	2,360,854	5,212,682	2,563,272	20,100,000	30,236,808
Property sales	6,041,355	426,965	825,588	85,300,000	92,593,908
Donations directed to provide therapy assistance to survivors	-	-	-	2,000,000	2,000,000
	<u>\$10,006,031</u>	<u>\$6,709,072</u>	<u>\$9,590,328</u>	<u>\$150,800,000</u>	<u>\$177,105,431</u>

<u>Uses of Funds</u>	Fiscal Year				
	2008	2007	2006	2005 Prior	Total
Sexual abuse settlements	\$ 5,475,368	\$2,072,500	\$6,382,500	\$127,400,000	\$141,330,368
Pastoral response and abuse prevention and training	2,794,306	3,010,989	2,469,355	8,800,000	17,074,650
Other costs related to sexual abuse claims	1,736,357	1,625,583	738,473	14,600,000	18,700,413
	<u>\$10,006,031</u>	<u>\$6,709,072</u>	<u>\$9,590,328</u>	<u>\$150,800,000</u>	<u>\$177,105,431</u>

9) Questions have been raised whether the Clergy Benefit Trusts were appropriated for use outside the stated purpose of the Trusts or to support a growing Archdiocesan deficit. There have even been whispered allegations of theft. Are any of these allegations true? If yes, who was responsible? If no, will the auditors attest to the proper use of Clergy Benefit Trusts?

Answer: We did not identify any usage of Clergy Benefit Trusts' resources to be outside the scope of benefits covered by the trusts. Since the inception of the Clergy Benefit Trusts, we understand, there has existed a Clergy Funds Advisory Committee which met on a regular basis (generally, at least monthly) to review and approve a detailed list of specific expenditures from the Clergy Benefit Trusts. This Committee has consistently been comprised of a number of priests from the Archdiocese, as well as representatives from the Office of the Chancellor. However, we note that in the past management had not established segregation of duties within the Clergy Benefits Office as a component of proper internal controls. Based on our understanding, one person within that office could have approved ancillary medical invoices, received the majority of the related disbursement checks from the Finance Department and disbursed the checks. In addition, one person could have managed the database that was used to prepare pension and housing stipends, supervised the printing with an electronic signature of these disbursements and also disbursed these checks. Also, as identified in Appendix B, there were certain transactions selected for testing for which supporting documentation could not be located.

**Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures**

**Specific Clergy Questions and Responses
(Continued)**

9) (Continued)

Although we found no evidence of any misappropriation or theft of funds and the transactions we tested were in accordance with the trust agreements, the lack of internal controls prevents us from stating any absolute conclusion on that subject. In addition, although there may have been internal approvals and supervisory oversight within the Clergy Benefits Office itself, we were unable to locate written indication of such approvals of individual transactions. Management has advised us that appropriate internal controls requiring segregation of duties are currently in place. Finally, we note that the Clergy Benefit Trusts were also subject to annual audits conducted by independent certified public accountants from the later of fiscal year 1984 or inception through June 30, 2008. Those audit reports were unqualified.

10) The Cardinal has pledged himself to the goal of financial transparency. Will the audit be made public and its details opened?

Answer: It is our understanding that this report will be made public.

11) Will the firm doing the in-depth review of the Clergy Benefit Trusts' financials have access to the trust instruments establishing the four original Clergy Benefit Trusts, as well as access to the Restated Declaration of Trusts of June 30, 2000?

Answer: We have been provided with and have reviewed the four benefit trust agreements as well as the restatements. See Appendix B, Procedure 1 for details.

12) How much money has been spent on housing by the Clergy Benefit Trusts?

Answer: The Trust agreements were amended in 2000 to include an allowance for housing. Prior to 2000, however, the Clergy Benefit Trusts did support Our Lady's Hall and Regina Cleri. Based on a review of the Archdiocese prepared "Consolidating Statement of Changes in Net Assets" the following amounts were paid for housing-related costs through June 30, 2008:

Room and board	\$39,006,000
Grants, support and reimbursement to Regina Cleri	7,903,000
Support of Our Lady's Hall	<u>679,000</u>
	<u>\$47,588,000</u>

Of this amount, 57% was paid in the last five fiscal years.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures

Specific Clergy Questions and Responses
(Continued)

- 13) Did the Archdiocese borrow money from the Clergy Benefit Trusts and not repay the money?

Answer: No, there were three loans made and repaid from the Clergy Benefit Trusts as follows:

- 1996 loan to Regina Cleri, Inc. of \$1,000,000. Interest was accrued at a rate of 7%. Additional amounts totaling \$1,163,384 were loaned. In July, 1999, this entire amount was repaid through the acquisition of the Regina Cleri's building by Retirement Trust. Interest totaling \$341,623 was also repaid. See Attachment 4 for a summary of this transaction.
- December, 2001, \$4,150,000 loan to the Planning Office for Urban Affairs to assist in the purchase of St. John's of God Hospital. The loan had an interest rate of 8%. In July, 2003, the loan of \$4,150,000, plus accrued interest of \$521,054, was repaid in full.
- In October, 2003, the Retirement Trust liquidated \$30,000,000 of investments in anticipation of loaning to the Archdiocese funds to pay for certain misconduct claims. In December, 2003, a \$15,000,000 loan was made to the Archdiocese. These funds were repaid in full in June, 2004, including a financing fee, interest and remuneration for the loss of investment gains for the \$15,000,000 that was liquidated and not loaned. The total repaid was approximately \$19,202,000. See Attachment 4 for a detail of the loan repayments.

In summary, all of the funds loaned from the Clergy Benefit Trusts were repaid in full with appropriate interest, fees and remuneration.

- 14) Were Clergy Benefit Trusts used to pay settlements prior to the sale of the Cardinal's residence (first Brighton campus sale)?

Answer: There is no indication that the Clergy Trust Funds were used to pay for settlements. We have noted there was a bridge loan made to the Archdiocese from the Retirement Trust for \$15,000,000; the proceeds were used to fund abuse settlements and the loan was repaid in full. (See question 13.)

- 15) Can you present a simple one page accounting of the average income and expenses over the last five fiscal years showing the \$15,000,000 out and \$5,000,000 in, which is the key problem?

Answer: Please refer to Attachment 5 which accounts for the revenue and expenses paid out of the four Clergy Benefit Trusts for the last five fiscal years. This information was obtained from the Archdiocese prepared "Consolidating Statement of Changes in Net Assets" referred to in Procedure 2.

November 2, 1998

Reverend and Dear Father:

The Clergy Fund Advisory Committee received the annual Audits for the Clergy Retirement/Disability Plan, Clergy Medical/Hospitalization Plan, Clergy Benefit Trust and the Annual Actuarial Report on Wednesday, October 14, 1998. We are pleased to inform you the reports indicate the Clergy Retirement/Disability Plan is presently fully funded to cover the retirement needs of the incardinated priests of the Archdiocese of Boston.

The Audits for the Clergy Medical/Hospitalization Plan and the Clergy Benefit Trust indicate that revenues exceeded expenses by a modest amount. With careful management of the funds, the demands upon the Plan and Trust have been able to respond to the needs of priests which in many cases continue to grow. So that you may appreciate this situation, we are sharing the details of the accounting on the accompanying sheets.

As you can see from the attached reports, the sources of income for the Clergy/ Medical Hospitalization Plan are the transfer of funds from the Clergy Benefit Trust and the per priest assessments which parishes and institutions are charged each February 1st. As you will note on the attached sheets, presently over 700 thousand dollars are owed to the Clergy Medical/Hospitalization Plan from overdue assessments. The principal source of income for the Clergy Benefit Trust remains the annual Christmas and Easter Collections.

Through several initiatives, the Clergy Fund Advisory Committee continues to address the funding for the Clergy Medical/Hospitalization Plan and the Clergy Benefit Trust. For example, in May 1996 the Committee recommended that assessments be increased \$500.00 per priest assigned in each of the following three years: 1997, 1998, 1999. The per priest assessment for 1999 will be \$4,000.00. In a short time the Clergy Fund Advisory Committee will be discussing the assessment for the next three years so that parishes and institutions may plan accordingly.

Along with the efforts of the Clergy Fund Advisory Committee, your assistance and cooperation are also needed so that the Clergy Medical/Hospitalization Plan and the Clergy Benefit Trust may continue to provide for the needs of priests. In a few days, invoices will be sent to parishes and institutions owing money on their current and past assessments. It would be most helpful if those parishes and institutions were able to pay some, if not all, of these assessments.

Hopefully, your support for the Christmas and Easter Collections will see an increase in the amounts received from these collections. As you can see from the attached report, the 1998 Easter Collection increased considerably, almost eight percent over the prior year's Easter Collection. With your support and encouragement, it is our hope that these two collections may continue to increase so that the Clergy Fund may respond to the needs of all our priests.

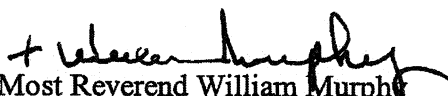
Since our Faithful are well aware of the rising health costs, it would be appropriate to share with them the need for their generosity on behalf of our priests who depend upon the Christmas and Easter Collections to provide for their needs.


It is important that the Archdiocesan Policy regarding the Christmas and Easter Collections be faithfully followed by all. The Archdiocesan Policy is that there be only one collection on Christmas and Easter, that only one envelope be used for Christmas and Easter and that the entire proceeds of these collections, minus the ten percent allowed for gratuities at Christmas, be remitted to Chancery.

This letter is intended to make you aware that the Clergy Retirement/Disability Plan is fully funded and that the Clergy Medical/Hospitalization Plan and the Clergy Benefit Trust need continued close monitoring by the Clergy Fund Advisory Committee and increased support from all the priests of the Archdiocese.

Asking God's continued blessings upon you and your people, we remain

Sincerely yours in Christ,


Most Reverend William Murphy
Moderator of the Curia/Vicar General
Secretary, Clergy Fund Society


Reverend Monsignor Richard G. Lennon
Facilitator, Clergy Fund Society

WM:amk
Enclosure

Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts

**Specific Clergy Questions and Responses
Property Purchase and Sales Attachment**

Attachment 2

Our Lady's Hall - Milton, Massachusetts

June, 2001	Acquisition Price	<u>\$ 1,900,000</u>	Acquired from RCAB
November, 2003	Sales Price	\$ 3,300,000	Sold to a private developer
	Amount Received	<u>2,821,902</u>	
	Unknown Difference	<u>\$ 478,098</u> A	

In November, 2004, an additional \$200,000 was received from the buyer in accordance with the closing agreement.

Regina Cleri - Boston, Massachusetts

November, 1999	Acquisition by Retirement Trust	\$ 16,250,091	Acquired from Regina Cleri, Inc.
	Funded by:		
	Assumed: Debt Principal and Accrued Interest	6,537,674	
	Relief of Debt due to Clergy Benefits from Regina Cleri	2,505,007	
	Amount reimbursed by Regina Cleri	(4,513)	
	Cash Paid to Regina Cleri	1,311,832	
	Assumed: Debt on Wings Neck	166,218	
	Payment of other closing costs	66,883	
	Fair value of Regina Cleri, Inc.'s free use of the building	<u>5,666,990</u>	
		<u>\$ -</u>	
	Asset Breakout		
	Regina Cleri:		
	Land	\$ 4,000,000	
	Building	<u>10,500,000</u>	
		14,500,000	
	Wings Neck Property:		
	Land	1,000,000	
	Building	<u>750,000</u>	
		<u>1,750,000</u>	
	Total purchase price	<u>\$ 16,250,000</u>	

Wings Neck Property, Pocasset, Massachusetts

	Acquisition Price	<u>\$ 1,750,000</u>	
September 9, 2003	Sale Price	\$ 2,550,000	Sold to a third party
	Expenses per Closing Statement	<u>116,927</u>	
	Amount Received	<u>\$ 2,433,073</u>	

A. The closing statement was not available. Accordingly, the purchase and sale statement was used. Closing costs can reasonably be estimated at approximately \$230,000, assuming a 5% commission and other related costs.

R.C. Archdiocese of Boston
Summary of Relative Investment Performance
For Period Ending June 30, 2008

Asset Class	Fund/Manager	From 3/31/2008 to 6/30/2008	From 12/31/2007 to 6/30/2008	From 6/30/2007 to 6/30/2008	From 6/30/2005 to 6/30/2008	From 6/30/2003 to 6/30/2008	Actual Inception to to 6/30/2008	
CIP Total	CIP - Total Fund	-0.5%	-5.9%	-6.0%	5.6%	7.6%	7.1%	Dec-95
	Policy Index -1	-1.8%	-6.4%	-4.7%	5.0%	6.8%	7.5%	Dec-95
	Policy Index -2	-1.4%	-6.2%	-5.3%	5.2%	7.5%	7.4%	Dec-95
Fixed Income	CIP - Fx Income Composite	-0.6%	-0.5%	2.8%	3.1%	3.4%	6.0%	Dec-99
	LB Aggregate Bond	-1.0%	1.1%	7.1%	4.1%	3.9%	6.3%	Dec-99
	Fixed Income Managers							
	Loomis Sayles & Co.	-0.7%	-1.0%	4.1%	3.4%	3.5%	6.0%	Dec-95
	Standish, Ayer & Wood	-1.5%	0.4%	4.4%	3.4%	3.7%	6.0%	Dec-95
	Western - Absolute Return	0.4%	-1.0%	0.1%	3.1%	n.a.	3.4%	Mar-06
LB Aggregate Bond	-1.0%	1.1%	7.1%	4.1%	3.9%	5.9%	Dec-95	
CIP Total Equity	CIP - Equity Composite*	-0.4%	-9.5%	-11.5%	6.9%	10.2%	2.2%	Dec-99
	Eq Policy Index	-1.9%	-11.1%	-13.3%	5.6%	9.7%	1.9%	Dec-99
	Eq Style Index	-1.5%	-10.8%	-12.9%	5.9%	10.0%	2.2%	Dec-99
US Equity	CIP - Lg Cap Eq Composite*	-2.6%	-11.1%	-12.3%	4.6%	7.4%	-0.1%	Dec-99
	S&P 500 Index	-2.7%	-11.9%	-13.1%	4.4%	7.6%	0.1%	Dec-99
	Large Cap Value Managers							
	Institutional Capital	-7.1%	-14.4%	-14.7%	6.4%	9.9%	5.8%	Jun-98
	Harris Associates	-7.0%	-15.3%	-22.0%	0.7%	4.4%	4.4%	Jun-03
	Russell 1000 @ Value	-5.3%	-13.6%	-18.8%	3.5%	8.9%	4.9%	Jun-98
	Large Cap Core Managers							
	Franklin Port - Eq Mkt Neutral	-1.2%	-9.5%	-14.1%	3.3%	8.3%	3.6%	Jul-05
	S&P 500 Index	-2.7%	-11.9%	-13.1%	4.4%	7.6%	3.2%	Jul-05
	Large Cap Growth Managers							
Alliance Capital	2.8%	-10.3%	-2.4%	7.7%	8.7%	4.3%	Sep-01	
GE Asset Mgmt	0.0%	-5.4%	-5.5%	5.6%	6.9%	4.9%	Mar-04	
Russell 1000 @ Growth	1.3%	-9.1%	-6.0%	5.9%	7.3%	2.8%	Aug-01	
US Small/Mid Cap	CIP - Sm/Mid Cap Eq Composite	3.1%	-7.8%	-17.4%	3.9%	11.4%	11.4%	Jun-03
	Russell @ 2000	0.6%	-9.4%	-16.2%	3.8%	10.3%	10.3%	Jun-03
	Franklin Port - Mid Cap	4.7%	-6.1%	-11.0%	4.2%	11.4%	9.3%	Dec-01
	S&P 400 Mid Cap	5.4%	-3.9%	-7.3%	7.5%	12.6%	8.9%	Dec-01
	Russell Mid Cap™	2.7%	-7.6%	-11.2%	6.8%	13.1%	9.4%	Dec-01
	Boston Partners	-2.9%	-11.6%	-22.6%	2.3%	10.6%	12.4%	Sep-01
	Russell 2000 @ Value	-3.6%	-9.8%	-21.6%	1.4%	10.0%	10.3%	Sep-01
	Numeric Micro Cap	7.9%	-5.7%	-18.1%	5.2%	12.0%	10.9%	Oct-99
	Russell @ 2000 Growth	4.5%	-8.9%	-10.8%	6.1%	10.4%	2.6%	Oct-99
	International Equity	CIP - Intl Dev Mkt Composite	-0.6%	-8.8%	-7.8%	14.0%	15.4%	11.7%
MSCI EAFE (Gross)		-1.9%	-10.6%	-10.2%	13.3%	17.2%	11.1%	Dec-04
Lazard Asset Management		-1.2%	-9.5%	-7.1%	11.6%	13.6%	10.6%	Nov-01
SSgA Intl Alpha		0.2%	-7.9%	-9.0%	16.2%	20.0%	13.9%	Dec-04
CIP - Japanese Equity		0.1%	-6.3%	-11.2%	n.a.	n.a.	-9.0%	Mar-06
MSCI Japan (net)		2.5%	-5.5%	-12.0%	8.6%	13.0%	-4.6%	Mar-06
Matthews Japan		-2.9%	-6.7%	-14.4%	-1.1%	11.2%	-11.6%	Mar-06
T-Rowe Price Japan		1.8%	-6.0%	-9.3%	6.7%	14.8%	-7.5%	Mar-06
Emerging Market Managers								
Rexiter/SSgA	1.1%	-10.2%	1.9%	27.2%	30.3%	27.2%	Jun-05	
MCSI Emerge Free (Net)	-0.8%	-11.7%	4.6%	27.1%	29.8%	27.1%	Jun-05	

Policy Index-1 = the return the Fund would have earned had it been invested in market indexes matching its target asset allocation (indicated below), rebalanced monthly: 12/31/95 to 12/31/00 = 55% S&P500 Index/45% LB Aggregate Bond Index; 12/31/00 to Present = 60% S&P500 Index/40% LB Aggregate Bond Index.
Policy Index-2 = the return the Fund would have earned had it been invested in market indexes matching its new target asset allocation (indicated below), rebalanced monthly: 40% LB Aggregate Bond Index + 38% S&P500 Index + 13% Russell 2000 + 9% MSCI EAFE.
Equity Policy Index = the return the Fund would have earned had it been invested in market indexes matching its new target asset allocation (indicated below), rebalanced monthly: 63% S&P 500 + 22% Russell 2000 + 15% EAFE
Equity Style Index = the return the Fund would have earned had it been invested in market indexes matching its new target asset allocation (indicated below), rebalanced monthly: 25% Russell 1000 Value + 25% Russell 1000 Growth + 14% S&P 500 + 7.0% Russell 2000 Value + 7.0% Russell 2500 + 7.0% Russell 2000 Growth + 15% EAFE

Actual inception date is the date the firm was retained by the client. Prior history has been added to provide historical perspective and represents returns from the manager's composite results or a similar product (e.g. a mutual fund) managed by the manager. Returns prior to December 31, 1999 were calculated by the prior consulting firm.

R.C. Archdiocese of Boston
Summary of Relative Investment Performance
For Period Ending April 30, 2009

Asset Class	Fund/Manager	From 12/31/2008 to 4/30/2009	From 6/30/2008 to 4/30/2009	From 4/30/2008 to 4/30/2009	From 4/30/2006 to 4/30/2009	From 4/30/2004 to 4/30/2009	Actual Inception to to 4/30/2009	
CIP Total	CIP - Total Fund	1.8%	-13.9%	-17.0%	-3.4%	2.1%	5.4%	Dec-95
	Policy Index -1	-0.7%	-16.7%	-20.5%	-3.4%	1.1%	5.6%	Dec-95
	Policy Index -2	-0.8%	-17.6%	-21.0%	-4.3%	1.1%	5.4%	Dec-95
Fixed Income	Fx Income Composite	2.3%	-1.1%	-2.2%	2.8%	2.9%	5.3%	Dec-99
	BC Aggregate Bond	0.6%	4.7%	3.8%	6.0%	4.8%	6.2%	Dec-99
CIP Total Equity	Equity Composite	1.0%	-28.7%	-32.5%	-10.3%	-0.7%	-1.6%	Dec-99
	Eq Policy Index	-2.3%	-30.9%	-35.3%	-11.3%	-1.8%	-2.2%	Dec-99
	Eq Style Index	-1.5%	-31.3%	-35.5%	-11.2%	-1.6%	-2.0%	Dec-99
US Equity	Lg Cap Eq Composite	2.7%	-26.1%	-31.3%	-9.4%	-1.7%	-3.3%	Dec-99
	S&P 500 Index	-2.5%	-30.3%	-35.3%	-10.8%	-2.7%	-3.7%	Dec-99
	Russell 1000 ® Value	-7.8%	-32.7%	-39.2%	-13.2%	-2.5%	0.8%	Jun-98
	Russell 1000 ® Growth	5.1%	-28.9%	-31.6%	-8.5%	-2.4%	-2.0%	Aug-01
US Small/Mid Cap	Sm/Mid Cap Eq Composite	3.3%	-19.9%	-21.7%	-9.6%	1.0%	5.6%	Jun-03
	Russell ® 2000	-1.8%	-28.3%	-30.7%	-12.7%	-1.5%	2.7%	Jun-03
	S&P 400 Mid Cap	4.9%	-30.4%	-31.8%	-9.9%	0.6%	2.7%	Dec-01
	Russell Mid Cap ™	5.0%	-33.5%	-36.0%	-11.6%	0.0%	2.4%	Dec-01
	Russell 2000 ® Value	-6.9%	-26.6%	-31.4%	-13.5%	-1.4%	4.8%	Sep-01
	Russell ® 2000 Growth	3.9%	-29.9%	-30.4%	-12.1%	-1.7%	-1.4%	Oct-99
Internationa l Equity	Intl Dev Mkt Composite	-6.4%	-37.3%	-40.3%	-11.7%	1.2%	-1.8%	Dec-04
	MSCI EAFE (Gross)	-2.7%	-38.0%	-42.4%	-11.9%	1.1%	-2.5%	Dec-04
	Emerging Market Managers	16.9%	-41.7%	-45.5%	-7.2%	9.9%	4.9%	Jun-05
	MCSI Emerge Free (Net)	17.7%	-37.7%	-42.9%	-5.5%	11.1%	6.6%	Jun-05

Policy Index-1 = the return the Fund would have earned had it been invested in market indexes matching its target asset allocation (indicated below), rebalanced monthly: 12/31/95 to 12/31/00 = 55% S&P500 Index/45% LB Aggregate Bond Index; 12/31/00 to Present = 60% S&P500 Index/40% LB Aggregate Bond Index.

Policy Index-2 = the return the Fund would have earned had it been invested in market indexes matching its new target asset allocation (indicated below), rebalanced monthly: 40% LB Aggregate Bond Index + 38% S&P500 Index + 13% Russell 2000 + 9% MSCI EAFE.

Equity Policy Index = the return the Fund would have earned had it been invested in market indexes matching its new target asset allocation (indicated below), rebalanced monthly: 63% S&P 500 + 22% Russell 2000 + 15% EAFE

Equity Style Index = the return the Fund would have earned had it been invested in market indexes matching its new target asset allocation (indicated below), rebalanced monthly: 25% Russell 1000 Value + 25% Russell 1000 Growth + 14% S&P 500 + 7.0% Russell 2000 Value + 7.0% Russell 2500 + 7.0% Russell 2000 Growth + 15% EAFE

Actual inception date is the date the firm was retained by the client. Prior history has been added to provide historical perspective and represents returns from the manager's composite results or a similar product (e.g. a mutual fund) managed by the manager. Returns prior to December 31, 1999 were calculated by the prior consulting firm.

Archdiocese of Boston - Clergy Benefit Trusts

**Specific Clergy Questions and Responses
Loan Repayments**

Attachment 4

Regina Cleri Loan

1996 Original loan	\$ 1,000,000	
Accrued interest	18,236	
1997 Additional loans	229,316	A
Accrued interest	76,659	
1998 Additional loans	438,721	A
Accrued interest	102,561	
1999 Additional loans	495,347	A
Accrued interest	135,039	
2000 Accrued interest	<u>9,128</u>	
Total loan	2,505,007	
Amount repaid	<u>2,505,007</u>	Repaid through the sale of the Regina Cleri property in July, 1999 from Regina Cleri, Inc. to Clergy Retirement
Outstanding balance	<u>\$ -</u>	

A Additional loans were the result of Clergy Benefit paying interest on the Regina Cleri bank line of credit.

RCAB

December, 2003	Original loan	\$ 15,000,000
	Interest	1,210,867
	Financing fee	1,500,000
	Remuneration	1,788,996
	Less - excess interest based on investment returns	<u>(297,476)</u>
June, 2004	Total repaid	<u>\$ 19,202,387</u>

Planning Office for Urban Affairs

December, 2001	Original loan	\$ 4,150,000
	Interest	<u>521,054</u>
July, 2002	Total repaid	<u>\$ 4,671,054</u>

Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts

**Specific Clergy Questions and Responses
Consolidating Statement of Changes in Net Assets
July 1, 2003 - June 30, 2008 = 5 Years**

Attachment 5

	<u>Retirement Trust 2004-2008</u>	<u>Benefit Trust 2004-2008</u>	<u>Medical Trust 2004-2008</u>	<u>Non-Incarnated Trust 2004-2008</u>	<u>Total 2004-2008</u>	<u>Average 2004-2008</u>	
Beginning net assets	\$ 60,814,040	\$ 12,314,433	\$ 20,795	\$ 12,369	\$ 73,161,637	\$ 14,632,327	
Operating Revenue:							% of Operating Revenue
Collections from parishes	10,036,010	16,418,623	-	251,005	26,705,638	5,341,128	47.98%
Assessments from Parishes	-	-	26,223,038	-	26,223,038	5,244,608	47.12%
Contributions	1,874,872	389,007	27,000	-	2,290,879	458,176	4.12%
Contribution from Archdiocese	-	-	435,705	-	435,705	87,141	0.78%
Total Operating Revenue	11,910,882	16,807,630	26,685,743	251,005	55,655,260	11,131,052	100.00%
Operating Expenses:							% of Total Expenses
Benefit related -							
Claims: medical, dental and prescriptions	-	-	27,490,349	25,505	27,515,854	5,503,171	26.96%
Retirement benefits	19,049,740	-	-	240,757	19,290,497	3,858,099	18.90%
Room and board	25,703,469	1,322,822	-	-	27,026,291	5,405,258	26.48%
Health insurance / Tufts Health Plan	8,750,479	2,357,165	962,246	-	12,069,890	2,413,978	11.82%
Supplementary benefits	-	7,876,945	-	88,565	7,965,510	1,593,102	7.80%
Medex benefits	-	2,088,779	-	-	2,088,779	417,756	2.05%
Sick leave benefits	-	912,563	-	-	912,563	182,513	0.89%
Disability benefits	1,554,221	-	-	-	1,554,221	310,844	1.52%
Grants to Regina Cleri	46,821	-	-	-	46,821	9,364	0.05%
Priest recovery	-	155,674	-	-	155,674	31,135	0.15%
Funeral benefits	-	143,184	-	-	143,184	28,637	0.14%
Stipends, clergy not assigned	-	18,557	-	-	18,557	3,711	0.02%
Other benefits - non plan payments	-	120,515	-	-	120,515	24,103	0.12%
Subtotal Benefit Related Expenses	55,104,730	14,996,204	28,452,595	354,827	98,908,356	19,781,671	96.90%
Administrative and Other Expenses -							
Administrative fee	592,880	866,642	737,379	-	2,196,901	439,380	2.15%
Professional and service fees	16,716	165,155	1,013	-	182,884	36,577	0.18%
Allowance for uncollectibles	-	-	(247,985)	-	(247,985)	(49,597)	-0.24%
Other expense	65,943	131,554	3,555	-	201,052	40,210	0.20%
External audit fees	40,000	40,000	40,000	13,800	133,800	26,760	0.13%
Investment advisory fees	10,000	-	-	-	10,000	2,000	0.01%
Actuarial fees	653,706	-	-	-	653,706	130,741	0.64%
Legal fees	22,898	11,881	-	952	35,731	7,146	0.04%
Subtotal Administrative and Other Expenses	1,402,143	1,215,232	533,962	14,752	3,166,089	633,218	3.10%
Total Expenses	56,506,873	16,211,436	28,986,557	369,579	102,074,445	20,414,889	100.00%
Total change in net assets from operations	(44,595,991)	596,194	(2,300,814)	(118,574)	(46,419,185)	(9,283,837)	
Investment and Other Revenue (Expenses):							% of Inv & Other Revenue
Net gains (losses) on investments	13,611,893	260,032	-	-	13,871,925	2,774,385	63.19%
Investment income	409,610	1,213,164	20,326	4,450	1,647,550	329,510	7.50%
Interest, fees and other remuneration from RCAB loan	4,445,726	-	-	-	4,445,726	889,145	20.25%
Interest expense	(1,468,631)	-	-	-	(1,468,631)	(293,726)	-6.69%
Depreciation expense	(1,461,606)	(31,250)	-	-	(1,492,856)	(298,571)	-6.80%
Rental income	2,500,000	-	-	-	2,500,000	500,000	11.39%
Gain on sale of property	758,073	1,507,454	-	-	2,265,527	453,105	10.32%
Other income	-	550	183,043	-	183,593	36,719	0.84%
Transfer to/(from) Clergy Funds	10,925,000	(13,013,071)	1,963,071	125,000	-	-	0.00%
Subtotal Investment and Other Revenue (Expenses)	29,720,065	(10,063,121)	2,166,440	129,450	21,952,834	4,390,567	100.00%
Total change in net assets	(14,875,926)	(9,466,927)	(134,374)	10,876	(24,466,351)	(4,893,270)	
Ending net assets	\$ 45,938,114	\$ 2,847,506	\$ (113,579)	\$ 23,245	\$ 48,695,286	\$ 9,739,057	

NOTE: Dollar rounding variances may occur due to the use of cents and Excel formulas.

Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts
Consolidating Statement of Changes in Net Assets
July 1, 1971 - June 30, 2008 = 37 Years

APPENDIX A

	Clergy Retirement 1972-2008	Clergy Medical 1972-2008	Clergy Benefit 1975-2008	Non Incardinated 1993-2008	Total	
Beginning net assets 7/1/1971	\$ 91,588	\$ 419,183	\$ -	\$ 100,561	\$ 611,332	
Operating Revenue:						% of Operating Revenue
Collections from parishes	19,760,323	-	113,035,006	-	132,795,328	64.42%
Assessments from Parishes	-	67,790,264	-	-	67,790,264	32.88%
Contributions	2,700,601	297,149	1,168,708	-	4,166,458	2.02%
Contributions Pastors	441,016	-	-	514,920	955,936	0.46%
Contribution from Archdiocese (1)	-	435,705	-	-	435,705	0.21%
Total Operating Revenue	<u>22,901,940</u>	<u>68,523,118</u>	<u>114,203,714</u>	<u>514,920</u>	<u>206,143,691</u>	<u>100.00%</u>
Operating Expenses:						% Of Total
Benefit related -						
Claims: medical, dental and prescriptions	-	111,160,540	-	51,262	111,211,802	38.54%
Retirement benefits	55,892,311	-	-	400,820	56,293,131	19.51%
Room and board (2)	37,258,955	-	1,747,213	-	39,006,168	13.52%
Post retirement medical benefits (2)	854,448	-	-	-	854,448	0.30%
Health insurance / Tufts Health Plan	11,950,917	2,111,524	2,475,685	-	16,538,126	5.73%
Supplementary benefits	-	-	19,805,090	227,156	20,032,246	6.94%
Medex benefits	-	-	6,384,531	-	6,384,531	2.21%
Sick leave benefits	-	-	6,031,394	-	6,031,394	2.09%
Disability benefits	5,111,206	-	-	-	5,111,206	1.77%
Reimbursement to Regina Cleri (3)	-	-	4,938,753	-	4,938,753	1.71%
Grants to Regina Cleri (4)	46,821	-	2,917,391	-	2,964,212	1.03%
Priest recovery	-	-	1,189,897	-	1,189,897	0.41%
Funeral benefits	-	-	939,101	-	939,101	0.33%
Stipends, clergy not assigned	-	-	262,994	-	262,994	0.09%
Outpatient psychiatric	-	-	396,450	-	396,450	0.14%
Sabbatical studies	-	-	329,345	-	329,345	0.11%
Reimbursement of Our Lady's Hall (Retreat Center)	-	-	679,467	-	679,467	0.24%
Other benefits - Non Plan Payments	-	-	349,044	-	349,044	0.12%
Subtotal Benefit Related Expenses	<u>111,114,658</u>	<u>113,272,063</u>	<u>48,446,355</u>	<u>679,238</u>	<u>273,512,315</u>	<u>94.78%</u>
Administrative and Other Expenses -						
Administrative fee (5)	1,793,265	2,709,081	3,412,529	-	7,914,875	2.74%
Professional and service fees	1,694,607	542,667	784,423	21,471	3,043,168	1.05%
Allowance for uncollectibles	-	1,046,998	-	-	1,046,998	0.36%
Other expense	84,324	75,632	1,169,543	3	1,329,502	0.46%
Assessments	-	-	378,656	-	378,656	0.13%
External audit fees	93,275	117,698	89,975	30,275	331,223	0.11%
Investment advisory fees	379,972	-	-	-	379,972	0.13%
Actuarial fees	810,682	10,483	70,418	-	891,583	0.31%
Legal fees	105,020	13,682	101,540	952	221,195	0.08%
Changes to accounting standards (7)	-	-	(139,655)	-	(139,655)	-0.05%
Adjustment to fund balance (8)	(832,427)	530,734	(43,404)	-	(345,097)	-0.12%
Subtotal Administrative and Other Expenses	<u>4,128,719</u>	<u>5,046,974</u>	<u>5,824,025</u>	<u>52,701</u>	<u>15,052,419</u>	<u>5.22%</u>
Total expenses	<u>115,243,377</u>	<u>118,319,037</u>	<u>54,270,380</u>	<u>731,939</u>	<u>288,564,734</u>	<u>100.00%</u>
Total change in net assets from operations	<u>(92,341,437)</u>	<u>(49,795,920)</u>	<u>59,933,333</u>	<u>(217,019)</u>	<u>(82,421,043)</u>	
Investment and Other Revenue (Expense):						% of Inv & Other Revenue
Net gains (losses) on investments	59,650,258	-	3,516,136	(1,697)	63,164,697	48.40%
Investment income	41,360,652	639,043	18,840,069	16,369	60,856,133	46.63%
Interest, fees and other remuneration from RCAB loan (9)	4,645,487	-	-	-	4,645,487	3.56%
Interest expense (6)	(2,669,042)	-	-	-	(2,669,042)	-2.05%
Depreciation expense (6)	(2,302,680)	-	(101,950)	-	(2,404,630)	-1.84%
Rental income (6)	4,291,667	-	-	-	4,291,667	3.29%
Gain on sale of property	758,073	-	1,507,454	-	2,265,527	1.74%
Other income	3,420	312,369	39,339	31	355,159	0.27%
Transfer to/(from) Clergy Funds	32,450,129	48,311,746	(80,886,875)	125,000	-	0.00%
Subtotal Investment and Other Revenue (Expenses)	<u>138,187,963</u>	<u>49,263,158</u>	<u>(57,085,827)</u>	<u>139,703</u>	<u>130,504,998</u>	<u>100.00%</u>
Total change in net assets	<u>45,846,526</u>	<u>(532,762)</u>	<u>2,847,506</u>	<u>(77,316)</u>	<u>48,083,955</u>	
Ending net assets 6/30/2008	<u>\$ 45,938,114</u>	<u>\$ (113,579)</u>	<u>\$ 2,847,506</u>	<u>\$ 23,245</u>	<u>\$ 48,695,286</u>	

Footnotes:

- (1) Clergy Medical - Jubilee Forgiveness - forgiveness of parish outstanding assessments. Funds used from Parish Reconfiguration
- (2) Retirement FY01 Plan Amendment for supplemental housing
- (3) 1992-2000 Reimbursements for medical care not covered by a benefit plan. Retirement Fund Responsibility since 7/2000 classified by type.
- (4) 1992-2000 Grants given to the Home to support retired priests living there. Retirement Fund Responsibility since 7/2000 classified by type.
- (5) Administrative fee includes RCAB, Office of Senior Priest and Ministerial Secretary
- (6) FY2000. Purchase Building from Regina Cleary with 20 Year Leaseback
- (7) 1998 -Adoption of SOP 92-6 "accounting and Reporting by Health and Welfare Benefit plans"
- (8) 1979-1983 represents adjustments to Fund Balance to tie to internal work papers.
- (9) 2004 Interest, Fees & Remuneration on \$15 mil loan to RCAB to pay misconduct claims. Special Fees = \$1.5 mil; Interest Income = \$1.1 mil; Change in Note Rec Valuation Allowance = \$1.8 mil

NOTE: Dollar rounding variances may occur due to the use of cents and Excel formulas.

Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts
Consolidating Statement of Changes in Net Assets
July 1, 2000 - June 30, 2008 = 8 Years

Appendix A-1

	Retirement Trust 2001-2008	Benefit Trust 2001-2008	Medical Trust 2001-2008	Non-Incardinated Trust 2001-2008	Total 2001-2008	Average 2001-2008	
Beginning net assets	\$ 79,672,441	\$ 20,269,868	\$ (1,147,380)	\$ 40,198	\$ 98,835,128	\$ 12,354,391	
Operating Revenue:							% of Operating Revenue
Collections from parishes	14,762,570	27,188,482	-	301,098	42,252,150	5,281,519	51.54%
Assessments from Parishes	-	-	36,826,767	-	36,826,767	4,603,346	44.92%
Contributions	1,965,701	425,523	74,773	-	2,465,997	308,250	3.01%
Contribution from Archdiocese	-	-	435,705	-	435,705	54,463	0.53%
Total Operating Revenue	<u>16,728,271</u>	<u>27,614,005</u>	<u>37,337,245</u>	<u>301,098</u>	<u>81,980,619</u>	<u>10,247,577</u>	<u>100.00%</u>
Operating Expenses:							% of Total Expenses
Benefit related -							
Claims: medical, dental and prescriptions	-	-	41,224,879	32,661	41,257,540	5,157,193	27.29%
Retirement benefits	28,484,127	-	-	305,306	28,789,433	3,598,679	19.05%
Room and board	37,258,955	1,733,584	-	-	38,992,539	4,874,067	25.80%
Post retirement medical benefits	854,448	-	-	-	854,448	106,806	0.57%
Health insurance / Tufts Health Plan	11,950,917	2,475,685	1,477,121	-	15,903,723	1,987,965	10.52%
Supplementary benefits	-	10,625,266	-	92,459	10,717,725	1,339,716	7.09%
Medex benefits	-	3,597,727	-	-	3,597,727	449,716	2.38%
Sick leave benefits	-	1,706,164	-	-	1,706,164	213,271	1.13%
Disability benefits	2,268,616	-	-	-	2,268,616	283,577	1.50%
Reimbursement to Regina Cleri	-	82,431	-	-	82,431	10,304	0.05%
Grants to Regina Cleri	46,821	-	-	-	46,821	5,853	0.03%
Priest recovery	-	686,702	-	-	686,702	85,838	0.45%
Funeral benefits	-	357,998	-	-	357,998	44,750	0.24%
Stipends, clergy not assigned	-	204,102	-	-	204,102	25,513	0.14%
Other benefits - Non Plan Payments	-	177,664	-	-	177,664	22,208	0.12%
Subtotal Benefit Related Expenses	<u>80,863,884</u>	<u>21,647,323</u>	<u>42,702,000</u>	<u>430,426</u>	<u>145,643,633</u>	<u>18,205,454</u>	<u>96.35%</u>
Administrative and Other Expenses:							
Administrative fee	1,074,699	1,607,290	1,204,624	-	3,886,613	485,827	2.57%
Professional and service fees	24,336	234,203	1,305	-	259,844	32,481	0.17%
Allowance for uncollectibles	-	-	82,451	-	82,451	10,306	0.05%
Other expense	65,943	189,294	8,996	-	264,233	33,029	0.17%
External audit fees	57,500	57,500	57,500	20,600	193,100	24,138	0.13%
Investment advisory fees	10,000	-	-	-	10,000	1,250	0.01%
Actuarial fees	750,610	-	9,081	-	759,691	94,961	0.50%
Legal fees	36,126	22,448	-	952	59,526	7,441	0.04%
Subtotal Administrative and Other Expenses	<u>2,019,214</u>	<u>2,110,735</u>	<u>1,363,957</u>	<u>21,552</u>	<u>5,515,458</u>	<u>689,432</u>	<u>3.65%</u>
Total Operating Expenses	<u>82,883,098</u>	<u>23,758,058</u>	<u>44,065,957</u>	<u>451,978</u>	<u>151,159,091</u>	<u>18,894,886</u>	<u>100.00%</u>
Total change in net assets from operations	<u>(66,154,827)</u>	<u>3,855,947</u>	<u>(6,728,712)</u>	<u>(150,880)</u>	<u>(69,178,472)</u>	<u>(8,647,309)</u>	
Investment and Other Revenue (Expenses)							% of Inv & Other Revenue
Net gains (losses) on investments	9,538,894	(754,924)	-	-	8,783,970	1,097,996	46.14%
Investment income	1,151,102	3,022,349	67,399	8,927	4,249,777	531,222	22.32%
Interest, fees and other remuneration from RCAB loan	4,445,726	-	-	-	4,445,726	555,716	23.35%
Interest expense	(2,490,253)	-	-	-	(2,490,253)	(311,282)	-13.08%
Depreciation expense	(2,302,679)	(97,030)	-	-	(2,399,709)	(299,964)	-12.60%
Rental income	4,000,000	-	-	-	4,000,000	500,000	21.01%
Gain on sale of property	758,073	1,507,454	-	-	2,265,527	283,191	11.90%
Other income	-	550	183,043	-	183,593	22,949	0.96%
Transfer to/(from) Clergy Funds	17,319,637	(24,956,708)	7,512,071	125,000	-	-	0.00%
Subtotal Investment and Other Revenue (Expenses)	<u>32,420,500</u>	<u>(21,278,309)</u>	<u>7,762,513</u>	<u>133,927</u>	<u>19,038,631</u>	<u>2,379,829</u>	<u>100.00%</u>
Total change in net assets	<u>(33,734,327)</u>	<u>(17,422,362)</u>	<u>1,033,801</u>	<u>(16,953)</u>	<u>(50,139,841)</u>	<u>(6,267,480)</u>	
Ending net assets	<u>\$ 45,938,114</u>	<u>\$ 2,847,506</u>	<u>\$ (113,579)</u>	<u>\$ 23,245</u>	<u>\$ 48,695,286</u>	<u>\$ 6,086,911</u>	

NOTE: Dollar rounding variances may occur due to the use of cents and Excel formulas.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B

The following are the procedures designed by management of the Archdiocese and tested by AAF.

GENERAL

Procedure 1. Read the four Clergy Benefit Trusts' agreements and the related amendments to gain an understanding of the allowable costs covered by the trusts.

Tests and Results - AAF received and reviewed copies of all of the trusts and related amendments. The Medical Trust and Retirement Trust were both established in 1972 and the Benefit Trust was established in 1975. The Non-Incardinated Trust was established in 1993. These trusts were established for the benefit of the priests who serve the Archdiocese. Throughout the years, these agreements have been amended and additional benefits have been added. Although each trust is very specific on the costs it is to fund, the trusts also contain a caveat that they also support "...other purposes as, in the discretion of the trustee, may be necessary and desirable for the support and well being of the priests incardinated in the Archdiocese of Boston".

FINANCIAL REPORTING

Procedure 2. Verify the financial information on the Archdiocese prepared "Consolidating Statement of Changes in Net Assets" (Appendix A) from inception to June 30, 2008.

Tests and Results - AAF traced the amounts on the "Consolidating Statement of Changes in Net Assets" back to the following:

- Retirement Trust –
 - 1984 – 2008 audited financial statements
 - 1972 – 1983 (excluding 1979) internally produced workpapers and year end financial statements
- Medical Trust –
 - 1984 – 2008 audited financial statements
 - 1972 – 1983 (excluding 1979) internally produced workpapers and year end financial statements
- Benefit Trust –
 - 1984 – 2008 audited financial statements
 - 1975 – 1983 (excluding 1979) internally produced workpapers and year end financial statements

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

FINANCIAL REPORTING (Continued)

Procedure 2. (Continued)

- Non-Incardinated Trust –
 - 1993 – 2008 audited financial statements

All amounts agreed back to the supporting documentation. No exceptions were noted. The 1994 – 2008 audits were performed by G.T. Reilly & Company and the 1984 – 1993 audits were performed by Livingston & Haynes, P.C.

For Retirement Trust, Medical Trust and Benefit Trust for 1979 internal workpapers or month end financial statements could not be located. Management, in preparing the “Consolidating Statement of Changes in Net Assets” used a three year average as an estimate for this year. AAF examined the estimates made for 1979 and the rationale appears reasonable.

We noted that the financial statements ending net assets did not always agree to the following year opening net asset balance during the timeframe in which only internal workpapers were available (1972-1983). Following is a summary of these variances:

- Retirement Trust - 8 years totaling \$832,427 of differences
- Medical Trust - 7 years totaling \$530,734 of differences
- Benefit Trust - 5 years totaling \$43,404 of differences

Procedure 3. Review all audited financial statements for unusual transactions and consistency and auditor’s workpapers for fiscal years 1997 through 2008 for the Clergy Benefit Trusts.

Tests and Results - AAF examined the statements of financial position and statements of activity for consistency between the years and for unusual, non-operating transactions. A listing of non-operating transactions is listed below. The auditor’s reports were reviewed and an unqualified opinion was given each year. The notes to the financial statements were reviewed and all related party transactions were identified and appear to be properly accounted for. The audit workpapers for the fiscal years 1997 through 2008 were reviewed for any unusual transactions, exceptions noted during the auditor’s testing and verification of transactions, including property sales and loans. No unusual transactions were noted and all property sales and loans were verified. The auditor’s testing of transactions indicated no material exceptions.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

FINANCIAL REPORTING (Continued)

Procedure 3. (Continued)

The material non-operating transactions identified are as follows:

- 1) Acquisition of Regina Cleri and Wings Neck properties
- 2) Sale of Wings Neck property
- 3) Acquisition and Sale of Our Lady's Hall
- 4) Loan to the Archdiocese for \$15,000,000
- 5) Loan to The Planning Office for Urban Affairs, a related party for \$4,150,000.
- 6) Loans to Regina Cleri totaling \$2,163,384

These have all been specifically tested in other procedures in this report.

ACCOUNTING AND FINANCIAL RECORDS

Procedure 4. Review the bank statements for the Medical Trust, Retirement Trust and Benefit Trust for the fiscal years 2001 to 2008 and review the Common Investment Funds investment statements for the Retirement Trust and Benefit Trust for the same period for odd or unusual transactions, transfers and large dollar amounts. The odd or unusual transactions will be investigated.

Tests and Results - AAF examined the bank statements and canceled checks for the 3 trusts for the fiscal years 2001 through 2008. Any check or wire transfer over \$10,000 was documented. Any checks or wires that appeared unusual were then traced to supporting documentation. Wire transfers between trusts were verified. Any wire transfer that went to an outside agency that appeared unusual was investigated and traced to supporting documentation. Upon review of the documentation for which support was available, all tested disbursements appear to be made in accordance with the trust agreements. Attachment B-1 lists any disbursements selected for testing that we were unable to observe supporting documentation.

The Common Investment Fund investment statements were examined for unusual activity for the fiscal years 2001 through 2008. All withdrawals were traced to the applicable trust's operating bank statements to verify they were used for proper trust purposes. All activity appeared reasonable.

The Retirement Trust had two bank accounts, although the bank statements for only one of these accounts were able to be located ("Retirement Disability Trust") and testing procedures applied.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

ACCOUNTING AND FINANCIAL RECORDS (Continued)

Procedure 5. Obtain a copy of the general ledger and accounts payable disbursement reports for the period July 1, 2000 through June 30, 2008, for the four Clergy Benefit Trusts and reconcile the amounts back to the financial statements that was used to prepare the “Combining Statements of Changes in Net Assets”.

Tests and Results - AAF reconciled the Computron general ledger detail to the cash disbursements for the period July 1, 2000 through June 30, 2008. The following exceptions were noted between total expenses on the general ledger to total expenses per the Archdiocese prepared “Combining Statements of Changes in Net Assets”:

- Benefit Trust – the general ledger was understated by \$137,861
- Retirement Trust – the general ledger was understated by \$788
- Medical Trust – the general ledger was understated by \$201
- Non-Incardinated Trust – the general ledger was understated by \$293

It is our understanding that the above exceptions were from formatting Microsoft Excel worksheets and the total costs reported on the “Combining Statements of Changes in Net Assets” is accurate.

Procedure 6. Select a random sample of transactions, including cash disbursements, transfers and journal entries, for additional testing for the four Clergy Benefit Trusts.

Tests and Results - AAF applied the procedures detailed in Attachment B-2 to the transactions selected for testing. AAF selected the following number of transactions to test from each Trust from fiscal years 2001 through 2008:

- Benefit Trust - 95 transactions
- Retirement Trust - 96 transactions
- Medical Trust – 50 transactions
- Non-Incardinated Trust – 25 transactions

The number of selections was determined by the volume of transactions for each trust over the eight year period and allocated to expense classifications based on the total amount spent per account type as percentage to the total expenditures.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

ACCOUNTING AND FINANCIAL RECORDS (Continued)

Procedure 6. (Continued)

In summary, AAF was able to examine and or otherwise test through alternative procedures, other than those listed in Attachment B-2 the following transactions:

- Benefit Trust – 78 out of 95 transactions (82%)
- Retirement Trust – 80 out of 96 transactions (83%)
- Medical Trust – 39 out of 50 transactions (78%)
- Non-Incardinated Trust – 5 out of 25 transactions (20%)

The alternative procedures included verifying recurring payments, tracing payments back to internal memos and notes and recalculating amounts based on other information obtained.

Attachment B-3 through B-3C details the exceptions to the transactions tested, transactions that lacked backup documentation and transactions which alternative procedures could or could not be performed.

Of the transactions tested, all costs appeared reasonable and allowable under the four trust agreements.

Since the inception of the Clergy Benefit Trusts, we understand, there has existed a Clergy Funds Advisory Committee which met on a regular basis (generally, at least monthly) to review and approve a detailed list of specific expenditures from the Clergy Benefit Trusts. This Committee has consistently been comprised of a number of priests from the Archdiocese, as well as representatives from the Office of the Chancellor. However, we note that in the past management had not established segregation of duties within the Clergy Benefits Office as a component of proper internal controls. Based on our understanding, one person within that office could have approved ancillary medical invoices, received the majority of the related disbursement checks from the Finance Department and disbursed the checks. In addition, one person could have managed the database that was used to prepare pension and housing stipends, supervised the printing with an electronic signature of these disbursements and also disbursed these checks. Also, as identified in Attachments B-3 through B-3C, there were certain transactions selected for testing for which supporting documentation could not be located. Although we found no evidence of any misappropriation or theft of funds and the transactions we tested were in accordance with the trust agreements, the lack of internal controls prevents us from stating any absolute conclusion on that subject. In addition, although there may have been internal approvals and supervisory oversight within the Clergy Benefits Office itself, we were unable to locate written indication of such approvals of individual transactions. Management has advised us that appropriate internal controls requiring segregation of duties are currently in place.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

ACCOUNTING AND FINANCIAL RECORDS (Continued)

Procedure 6. (Continued)

Finally, we note that the Clergy Benefit Trusts were also subject to annual audits conducted by independent certified public accountants from the later of fiscal year 1984 or inception through June 30, 2008. Those audit reports were unqualified.

ACQUISITION AND SALES OF PROPERTIES

Procedure 7. Identify all transactions relating to the acquisition and sales of properties by the four Clergy Benefit Trusts. Verify that all acquisitions and sales were reasonable and that all proceeds from the sale of properties were properly deposited into the appropriate trust accounts.

Tests and Results - AAF reviewed the audited financial statements and other internal documentation to identify property purchased or sold by the Clergy Benefit Trusts. The acquisition and sales were all traced back to the closing statements and purchase and sale agreements, where available.

Through a review of the audited financial statements and internal financial statements, the Clergy Benefit Trusts had transactions regarding the following properties:

- Our Lady's Hall - Milton, Massachusetts
 - Acquired by Benefit Trust in June, 2001 from the Archdiocese
 - Sold November, 2003 to an independent party
- Regina Cleri – Boston, Massachusetts
 - Acquired by Retirement Trust in July, 1999 from Regina Cleri, Inc.
- Wings Neck property, Pocasset, Massachusetts
 - Acquired by Retirement Trust in July, 1999 from Regina Cleri, Inc.
 - Sold September, 2003 to an independent party

Proceeds of the sales of these properties were tracked through the financial statements and sales amounts were traced to the purchase and sales agreements and closing statements. Deposits were traced to bank statements to verify that amounts received were properly recorded in the Clergy Benefit Trusts.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

ACQUISITION AND SALES OF PROPERTIES (Continued)

Procedure 7. (Continued)

Tests and Results (Continued)

The following exception was noted.

- The proceeds from the sale of Our Lady's Hall could not be verified as the closing statements could not be located. The Purchase and Sale reflected a sale price of \$3,300,000 and a deposit was traced into the Benefit Trust's bank statement in the amount of \$2,821,902. The difference of \$478,098 is unknown, since the settlement sheet could not be located. Closing costs can reasonably be estimated at approximately \$230,000, assuming a 5% commission and other related closing costs.

Attachment 2 details the acquisition and sale of all properties.

All sale prices of the properties sold appear reasonable based on the market valuation of the property which was maintained in the real estate division's files.

LOANS

Procedure 8. Identify all transactions relating to any loans made by the Clergy Benefit Trusts. Verify all loans were reasonable; including terms and all repayments of the loans, including that interest was properly deposited into the appropriate trusts accounts.

Tests and Results - AAF examined the financial statements and identified loans made for the period 1996 through 2008. The following loans were identified:

- Benefit Trust
 - 1996 loan to Regina Cleri \$1,000,000. Interest was accrued at a rate of 7%. Additional amounts were loaned and interest was accrued. In July, 1999, this amount was repaid through the acquisition of the Regina Cleri building by Retirement Trust. See Attachment 4 for a summary of this transaction. The bank statements were not available for this year accordingly, AAF was unable to trace the cash proceeds into the cash account.
 - 2001 loan to the Retirement Trust \$4,150,000, interest free. Repaid in July, 2003 (see below).

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

LOANS (Continued)

Procedure 8. (Continued)

Tests and Results (Continued)

- Retirement Trust
 - December, 2001 - \$4,150,000 loan to the Planning Office for Urban Affairs to assist in the purchase of St. John's of God Hospital. The loan accrued interest at 8%. In July, 2003, the loan of \$4,150,000 plus accrued interest of \$521,054 was repaid. The repayment of this loan was traced to the bank statements.
 - October, 2003 - Retirement Trust liquidated \$30,000,000 of investments in anticipation of loaning to the Archdiocese funds to pay for certain misconduct claims. In December, 2003, a \$15,000,000 loan was made to the Archdiocese. These funds were repaid in full in June, 2004, including a financing fee, interest and remuneration for the loss of investment gains for the \$15,000,000 that was liquidated and not loaned. See Attachment 4 for a detail of the loan repayments. The interest and the remuneration were tested for reasonableness based on the average investment income of the RCAB Collective Investment Partnership. The repayment of this loan was traced back to bank statements and investment statements.

EASTER AND CHRISTMAS COLLECTIONS

Procedure 9. Review the Clergy Benefit Trusts' agreements to determine if the agreements direct the Easter and Christmas offerings to be used to fund all trusts or specific trusts.

Tests and Results - AAF reviewed the Clergy Benefit Trust agreements and determined that two trust documents that refer to the Easter and Christmas collections are the Benefit Trust and Non-Incardinated Trust. Until the Benefit Trust was restated in 2000, the Benefit Trust specifically stated part of its purpose was to make payments to the Medical Trust and the Retirement Trust. In 2000 when the Benefit Trust agreement was restated these two "purposes" were not included. The Non-Incardinated Trust specifically states that it will be funded through an allocation of the Easter and Christmas collections as approved by the Archbishop.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

EASTER AND CHRISTMAS COLLECTIONS (Continued)

Procedure 10. Determine to which Clergy Benefit Trust the Easter and Christmas collections were deposited.

Tests and Results – After reviewing the financial statements and other internal documents, AAF determined that the Easter and Christmas collections were deposited into the following Trusts:

- 1976 – 2002 and 2006 – 2008 – Benefit Trust (\$113,035,006)
- 2003 – 2006 – Retirement Trust (\$19,760,323)
- From 1995 – 2008 a total of \$514,920 was deposited directly into the Non-Incardinated Trust.
- Although money was deposited into these trusts, transfers were made to fund the other clergy trusts. From the inception of the trusts, the following transfers were made:
 - From Benefit Trust to Retirement Trust \$32,525,129
 - From Benefit Trust to Medical Trust \$48,311,746
 - From Benefit Trust to Non-Incardinated Trust \$50,000
 - From Retirement Trust to Non-Incardinated Trust \$75,000

Procedure 11. Test the Christmas and Easter Collections from the collections database compared to the general ledger to determine if tested collections were accounted for properly.

Tests and Results - In order to determine if all collections were accounted for in the general ledgers of the Clergy Benefit Trusts for the fiscal years 2001 through 2008, AAF obtained a listing from the Special Collection Christmas and Easter database which is maintained by the Finance Department of the Archdiocese. The listing of each collection by year was then compared to general ledgers. All reconciling items were tested and vouched. For the period tested, after all reconciling items had been identified and tested, there remained a difference of \$80,219, although the general ledger showed more than what was reported in the collection database. This variance was not further investigated as the amount in the general ledger showed more deposits being made than the database reported.

- AAF interviewed employees involved in the collection process to understand collection procedures.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

EASTER AND CHRISTMAS COLLECTIONS (Continued)

Procedure 11. (Continued)

- The database listing was then reviewed to determine if all of the parishes that were required to remit Easter and Christmas collections had in fact done so. The following was noted:
 - A total of 26 out of approximately 300 parishes missed at least one remittance payment for either Christmas or Easter over the eight year period 2001 through 2008.
 - There were 11 parishes that missed multiple remittance payments. These parishes were subsequently closed and there is no supporting documentation of collections being recorded prior to closing. A total of 96 collection cycles between 2001 and 2008 were missed during this period.
 - There were 11 parishes that closed, but the closing date is unknown therefore testing of these parishes and the number of missed collections could not be calculated.
 - Two parishes had a combined 3 collections totaling \$18,437 which their accounting records reflected disbursements were made to the Clergy Benefit Trusts, but the Clergy Benefit Trusts do not reflect the funds being deposited. This amount was less than 1% of collections during this period.
 - One parish totaling 16 collection periods between 2001 and 2008 never submitted any collections.
 - To further test the cycle, AAF made 10 selections from the collections database and traced the amounts to respective parish QuickBooks general ledger files to verify the reported amount agreed to the parish's financial records. The results were as follows:
 - 5 of 10 had all information submitted agreed to the individual parish QuickBooks file.
 - 3 of 10 had indication in the QuickBooks file that a deposit had been made into the parish's bank account for either the Christmas or Easter collection, however, no payment was remitted to the Benefit Trust.
 - 1 of 10 had indication in the QuickBooks file that a deposit totaling \$4,227 had been made into the parish's bank account for the Christmas 2008 collection, however, the payment to the Benefit Trust was only \$3,669, which is less than the total collection less the 10% allowance to be maintained at the parish.
 - 1 of 10 the QuickBooks files could not be accessed to complete test.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

**PAYMENTS MADE FOR PRIESTS ON ADMINISTRATIVE LEAVE DUE TO
ACCUSATIONS OF MISCONDUCT WITH A MINOR**

Procedure 12. Verify the list of priests who were on administrative leave due to accusations of misconduct with a minor. Then verify the costs associated with these priests that were paid out of the Clergy Benefit Trusts for the period July 1, 2000, through June 30, 2008.

Tests and Results - A listing of priests on administrative leave due to accusations of misconduct with a minor was compiled by the Archdiocese's finance team. This list was further verified as being complete by the Archdiocese Delegate's Office and outside legal counsel.

AAF obtained a listing of costs paid to or on behalf of the priest on administrative leave, which was created by the Archdiocese staff. On a test basis, AAF vouched the costs incurred and assumptions used in completing the list. AAF tested a total of 20 priests to verify the costs listed were accurate compared to information in the general ledger. AAF also reviewed the assumptions used by the Archdiocese staff in completing the total amount for the list of costs.

Testing performed on the selected 20 priests:

- AAF scanned the general ledger and traced applicable expenses coded with the individual's name to the list.
- AAF scanned the accounts payable disbursement listing and traced applicable expenses coded with the individual's name to the list.
- AAF examined internal payroll reports and traced applicable expenses coded with the individual's name to the list.
- AAF examined schedule of benefits and traced applicable expenses to the list.
- AAF examined the assumptions made for certain costs (see below) for the priests selected for testing.
- The results of our testing showed a total of \$23,017 of either clerical errors or charges not properly reflected on the schedule. This variance rate, if extrapolated to the total population would result in additional costs of \$73,860. These findings were subsequently corrected by the Archdiocese staff in the schedule. No other exceptions were found.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

**PAYMENTS MADE FOR PRIESTS ON ADMINISTRATIVE LEAVE DUE TO
ACCUSATIONS OF MISCONDUCT WITH A MINOR (Continued)**

Procedure 12. (Continued)

- AAF reviewed the assumptions and methods used to generate this schedule. These are as follows:
 - Stipends – Monthly stipends were paid through accounts payable, payroll, or a check cut directly to a priest without running through accounts payable. These amounts vary based on:
 - Where they live
 - Age of priest
 - Negotiated amounts
 - Housing - Payments were made to priests directly if they were not retired. If retired then the payments were made to the retirement facility.
 - Payments are based on where they live
 - For Senior priests living on their own their stipend includes housing allowances
 - Assisted living or nursing home expenses are paid directly to the facility.
 - Assisted living average is \$3,500 per month. AAF examined supporting calculations and concluded the \$3,500 per month appears reasonable.
 - Nursing homes average is \$10,000 per month. Based upon invoices examined and testing performed, this amount appears reasonable.
 - Medical reimbursement - Premiums were paid to the Medical Trust on a monthly basis. The rates used were based on age. The rates for 2008 and 2007 were based on actual rates paid. For 2006 and prior, there was a reduction of \$40 per month for senior priest and \$25 per month for non-senior priests. The \$40 reduction per month was based on a three-year average. The \$25 decrease per month was not based on averages, rather it was deemed reasonable by the Archdiocese staff.
 - Other - miscellaneous expenses paid out of Benefit Trust directly to the priest for various health reimbursements and other costs.

Roman Catholic Archdiocese of Boston
Clergy Benefit Trusts Agreed-Upon Procedures and Findings

Appendix B
(Continued)

**PAYMENTS MADE FOR PRIESTS ON ADMINISTRATIVE LEAVE DUE TO
ACCUSATIONS OF MISCONDUCT WITH A MINOR (Continued)**

Procedure 12. (Continued)

- The costs identified did not include the following cost:
 - Any supplemental insurance, unless it was reimbursed directly to the priest
 - Excess health costs paid on behalf of a priest in excess of the average health insurance costs of all participants.
 - Any other benefit costs paid for or on behalf of a priest, in which the check was payable to someone other than the priest.
 - Funeral costs
- These costs cover the period from July 1, 2000, through June 30, 2008. Prior to July 1, 2000, there were not sufficient financial records still available to compute amounts paid for such costs from the Clergy Benefit Trusts.
- The total estimated costs that were paid for by the Clergy Benefit Funds, based on the assumptions above, totaled approximately \$15,800,000.

**Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts
Bank Statement Examination**

Attachment B-1

Note: Supporting documentation for the cash disbursements selected during our Bank Statement examination could not be found.

	<u>Trust</u>	<u>Month</u>	<u>Check #</u>	<u>Vendor</u>	<u>Amount</u>
1	Retirement	Aug-02	5900	1	\$ 24,339
2	Retirement	Sep-06	10327	2	\$ 18,600
3	Retirement	Dec-06	10545	3	\$ 20,940
4	Retirement	Dec-06	10548	4	\$ 12,917
5	Benefit	Dec-03	7407	5	\$ 21,785
6	Benefit	May-07	9327	6	\$ 10,830

**Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts
Cash Disbursement Procedures**

Attachment B-2

Cash Disbursements Test Steps

- 1 Invoice/AP voucher has been approved for payment.
- 2 Examine invoice as to amount, vendor, date and description to verify if the expense is allowable under the trust agreement.
- 3 Examine cancelled check as to amount, date, vendor and endorsement. All agree to invoice details without exception.
- 4 Check amount, date and description agrees to general ledger without exception.
- 5 Examine wire transfer amounts and trace to invoice as to date, vendor, amount and description.
- 6 Trace wire transfer amount to the respective wired out transactions and wired in transactions per bank statements.
- 7 Trace individual Priest name per detail/invoice to the list of priests on administrative leave and determine if cost was included in the summary of costs related to priests on administrative leave for accusations of misconduct with a minor.
(N/A if priest is not on list)

Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts
Benefit Selections

Attachment B-3

Note: The following transactions were selected for testing and no supporting documentation was able to be located or alternate procedures were not performed.

Selection	Acct #	Amount	Trans #	Jnl	Post Date
1	616450	3,798	22551	VR	5/17/2001
2	616500	1,060	21626	VR	7/1/2000
3	616500	1,335	24345	VR	11/1/2002
4	616100	2,700	29105	VR	11/10/2005
5	616450	3,066	29743	VR	5/18/2006
6	616500	346	23299	VR	2/1/2002
7	619000	328	25128	VR	4/10/2003
8	616600	1,717	21981	VR	11/1/2000
9	616500	1,128	25289	VR	6/1/2003
10	616500	1,726	22675	VR	7/2/2001
11	616500	1,978	29328	VR	3/1/2006
12	616450	5,953	28715	VR	7/14/2005
13	615100	7,933	24564	VR	12/19/2002
14	616450	8,000	30676	VR	4/19/2007
15	616500	1,139	25766	VR	10/1/2003
16	616500	1,993	30604	VR	4/1/2007
17	616300	600	31184	VR	5/1/2008

Note: The following transactions were selected for testing and testing was completed with exceptions and alternate procedures noted below.

Selection	Acct #	Amount	Trans #	Jnl	Post Date	Comments
1	616500	15,356	633	XFR	7/10/2000	1 2
2	621000	100,000	634	XFR	7/24/2000	1 2
3	616500	1,729	21952	VR	11/1/2000	1 6
4	616600	900	22238	VR	2/2/2001	1 7
5	616300	15,500	22313	VR	2/22/2001	1 O
6	616500	1,645	22426	VR	4/1/2001	1 8
7	616500	17,691	738	XFR	6/7/2001	1 2
8	616500	1,128	22696	VR	7/2/2001	1 8
9	616500	1,128	22762	VR	8/1/2001	1 9
10	616900	15,010	22991	VR	10/18/2001	1 C
11	616500	1,795	23034	VR	11/1/2001	1 10
12	616500	3,395	23127	VR	12/6/2001	1 E
13	616500	750	23307	VR	2/1/2002	1 8
14	616500	1,128	23642	VR	5/1/2002	1 9
15	616525	163,073	793	XFR	6/14/2002	1 2
16	619000	150	23861	VR	6/27/2002	1 1
17	616500	75,000	23862	VR	6/27/2002	1 4
18	616600	1,741	24219	VR	10/1/2002	1 9
19	616500	300	24337	VR	11/1/2002	1 8
20	616500	300	24884	VR	3/1/2003	1 7
21	616500	1,762	24911	VR	3/1/2003	1 11
22	616500	1,831	25321	VR	6/1/2003	1 12
23	619000	115,312	832	XFR	6/26/2003	1 2
24	616500	300	25647	VR	9/1/2003	1 8
25	616500	22,217	841	XFR	10/2/2003	1 2
26	616300	1,200	26052	VR	12/1/2003	1 8
27	619000	115,312	848	XFR	12/30/2003	1 2
28	616500	22,373	849	XFR	12/31/2003	1 2
29	616525	33,507	858	XFR	2/10/2004	1 2
30	616500	1,936	26457	VR	3/1/2004	1 9
31	616600	1,942	26808	VR	5/1/2004	1 12
32	616500	1,917	26892	VR	6/1/2004	1 9
33	616500	1,848	27080	VR	7/1/2004	1 12
34	616500	1,125	27374	VR	9/1/2004	1 8
35	616500	300	27543	VR	11/1/2004	1 8
36	616500	1,128	27667	VR	12/1/2004	1 9
37	619000	37,916	919	XFR	3/9/2005	1 M
38	616500	1,125	28326	VR	4/1/2005	1 8
39	616800	4,281	28485	VR	5/4/2005	1 13
40	616500	2,017	28669	VR	7/1/2005	1 12
41	616500	1,128	28734	VR	8/1/2005	1 9
42	616500	1,873	28747	VR	8/1/2005	1 12
43	616300	1,200	29239	VR	2/1/2006	1 8
44	616500	1,941	29742	VR	5/18/2006	1 8
45	619000	37,916	998	XFR	6/5/2006	1 J
46	616500	1,960	29889	VR	7/1/2006	1 12
47	616500	27,877	1014	XFR	9/6/2006	1 2
48	616500	2,022	30109	VR	10/1/2006	1 12
49	616500	1,987	30455	VR	2/1/2007	1 12
50	616300	5,600	30486	VR	2/22/2007	1 1
51	616450	6,589	30668	VR	4/12/2007	1 D
52	616500	1,943	30788	VR	6/1/2007	1 12
53	616500	2,037	30727	VR	6/1/2007	1 12

See below for selection comments

Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts
Benefit Selections

Attachment B-3
(Continued)

<u>Selection</u>	<u>Acct #</u>	<u>Amount</u>	<u>Trans #</u>	<u>Jnl</u>	<u>Post Date</u>		
54	619000	52,287	1068	XFR	6/4/2007	1	L
55	619000	49,875	1078	XFR	8/1/2007	1	J
56	616300	12,400	593	GJ	10/31/2007	1	P
57	619000	51,375	1084	XFR	11/2/2007	1	J
58	616600	24,141	594	GJ	11/30/2007	1	P
59	616600	26,625	595	GJ	12/31/2007	1	P
60	616450	6,589	31074	VR	2/7/2008	1	A
61	616300	600	31182	VR	5/1/2008	1	1
62	619000	46,125	1112	XFR	5/5/2008	1	J
63	616450	6,925	31192	VR	5/8/2008	1	B
64	616500	107,443	1117	XFR	6/6/2008	1	Z

- A AAF notes the reimbursement was paid on Feb. 7, 2008 and the invoice date is March 8, 2008. Appears reasonable as the Priest gave a note to the Archdiocese of Boston to be reimbursed before hand.
- B AAF noted that there were two employees on the invoice that were on administrative leave for medical reimbursement assessed at \$750 each.
- C AAF noted there was a letter of request to the funeral home, the date on the letter says October 15, 2001 and the invoice date on the voucher was April 16, 2001.
- D AAF examined the bank statement and verified that check number and amount cleared, however, there were no cancelled checks attached to the bank statements.
- E AAF noted there was no invoice attached, but a letter with totals manually written on it for the months of October, November, and December totaling the check amount.
- J AAF noted that the invoice was incomplete as there was only one sheet of employees premiums, but the transfer of funds worksheet shows the assessed amount of premiums to employees.
- K AAF notes there were 22 employees within the total transfer amount for benefits.
- L AAF noted 2 priests (@ \$741 per person) whose medical assessments were paid for the month.
- M AAF noted 29 priests (@ \$541 per person) whose medical reimbursements assessed were paid.
- N AAF noted 4 priests (@ \$541 per person) whose medical reimbursements assessed were paid.
- O AAF noted that there was a letter from the Archdiocese of Boston to the Retirement Facility approving the request for \$15,500 for FY 01 for priest receiving respite care.
- P AAF examined traced the total wire transfer amount to the GL and identified the other expenses that were related to this wire. The wire was for reimbursements of emergency response, in which room and board and health leave were included. These were appropriately expensed to the respective account. Appears reasonable, pass.
- 1 AAF located only the check stub but there was no invoice attached for the transaction.
- 2 AAF examined the transfer of funds worksheet and noted that amounts agree without exception, however, there was no invoice attached for the wire transfer.
- 4 AAF noted there was no invoice attached. There was a note on the AP voucher that says "backup is in Father's office."
- 6 AAF traced individual's name to an unapproved internal document.
The individual's recurring stipend amount was changed to \$1906.67 as of May 2001. Transaction date is prior to change and amount selected is less than the amount the stipend was changed to. Appears reasonable, pass.
- 7 AAF traced individual's name to the unapproved internal document. The recurring voucher for \$1200 was stopped in June 2005, after the selection date. Per AP transaction report, individual received two payments monthly, consisting of \$300 and \$900. Recurring voucher total and two monthly payments agree without exception, pass on further work.
- 8 AAF was unable to locate physical invoice of related to the selection. AAF performed alternative procedures to vouch for recurring payment. AAF traced individual's name to the unapproved internal document. Transaction selected and recurring voucher payment per internal document agree without exception, pass.
- 9 Per examination of the unapproved internal document, there were no amounts listed on the schedule regarding this individual's recurring payments.
- 10 AAF traced individual's name to the internal document. Amount per individual was changed to \$1723 in 2000. The difference between amount selected and amount per document appears reasonable as a yearly increase. Pass.
- 11 AAF traced individual's name to the internal document. Amount per individual was changed to \$1710 in 2002. The difference between amount selected and amount per internal document appears reasonable as a yearly increase. Pass.
- 12 AAF traced individual's name to an unapproved internal document.
The individual's recurring stipend amount per schedule and selected transaction do not agree, however, the difference can be attributed to the yearly increase in stipends. Also, the transaction date date is prior to the change on the internal document and amount selected is less than the amount the stipend was changed to. Appears reasonable, pass.
- 13 AAF traced individual's name to the unapproved internal document, however, there were no amounts on the schedule that justified the selected payment.

**Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts
Retirement Selections**

Attachment B-3A

Note: The following transactions were selected for testing and no supporting documentation was able to be located or alternate procedures were not performed.

Selection	Posting Acc	Amount	Trans #	Jnl	Post Date
1	00 616200	\$ 1,650.00	25122	VR	7/1/2000
2	00 616200	\$ 1,211.00	25171	VR	7/1/2000
3	00 616200	\$ 1,650.00	25157	VR	7/1/2000
4	00 616200	\$ 1,258.00	25189	VR	7/1/2000
5	00 616200	\$ 1,650.00	25099	VR	7/1/2000
6	00 621100	\$ 34,323.00	253	XFR	12/27/2001
7	00 619200	\$ 400.00	27254	VR	5/1/2002
8	00 619200	\$ 24,339.00	27590	VR	8/22/2002
9	00 619200	\$ 400.00	29233	VR	1/1/2004
10	00 616200	\$ 1,833.00	491	GJ	8/31/2004
11	00 619200	\$ 4,400.00	30346	VR	11/18/2004
12	00 619200	\$ 7,650.00	31128	VR	6/30/2005
13	00 616200	\$ 1,338.00	606	GJ	7/7/2006
14	00 619200	\$ 8,340.00	32902	VR	11/2/2006
15	00 619200	\$ 3,500.00	32947	VR	11/30/2006
16	00 619200	\$ 8,142.00	33370	VR	3/29/2007

Note: The following transactions were selected for testing and testing was completed with exceptions and alternate procedures noted below.

See below for selection comments

1	00 619200	\$ 8,969.00	25437	VR	9/14/2000	K
2	00 616200	\$ 269,051.00	243	GJ	4/1/2001	M
3	00 619000	\$ 1,170,000.00	219	XFR	4/12/2001	B
4	00 619200	\$ 5,770.00	26249	VR	6/14/2001	J
5	00 619200	\$ 3,864.00	26758	VR	11/15/2001	F
6	00 619200	\$ 3,590.00	27208	VR	4/18/2002	F, I
7	00 619000	\$ 1,268,250.00	270	XFR	5/23/2002	L
8	00 616200	\$ 267,482.00	350	GJ	11/1/2002	M
9	00 619200	\$ 400.00	27919	VR	12/1/2002	S
10	00 619200	\$ 2,108.00	27964	VR	12/5/2002	E
11	00 616200	\$ 281,167.00	376	GJ	4/1/2003	M
12	00 619000	\$ 1,524,375.00	304	XFR	4/1/2003	L
13	00 616200	\$ 4,136.00	28392	VR	4/10/2003	F
14	00 616200	\$ 280,441.00	395	GJ	8/1/2003	M
15	00 619200	\$ 400.00	28842	VR	9/1/2003	S
16	00 619000	\$ 762,187.00	448	GJ	12/31/2003	O
17	00 619200	\$ 39,750.00	29915	VR	6/30/2004	H
18	00 616200	\$ 288,546.00	481	GJ	7/1/2004	M
19	00 619200	\$ 3,655.00	30307	VR	11/4/2004	G
20	00 619000	\$ 154,375.00	614	XFR	2/5/2008	2
21	00 619200	\$ 3,417.00	30801	VR	3/24/2005	G
22	00 616200	\$ 317,070.00	540	GJ	5/1/2005	M
23	00 619200	\$ 2,918.00	31110	VR	6/23/2005	G
24	00 616200	\$ 315,549.00	597	GJ	6/30/2005	R
25	00 619000	\$ 148,414.00	465	XFR	8/1/2005	A
26	00 619000	\$ 148,414.00	492	XFR	2/22/2006	A
27	00 619200	\$ 138,126.00	506	XFR	4/4/2006	D
28	00 619200	\$ 9,012.00	32204	VR	4/6/2006	1
29	00 619200	\$ 720.00	32211	VR	4/13/2006	C
30	00 619000	\$ 154,914.00	531	XFR	9/5/2006	A
31	00 616400	\$ 29,263.00	623	GJ	11/1/2006	M
32	00 616200	\$ 13,719.00	33061	VR	12/28/2006	G
33	00 619200	\$ 4,357.00	33122	VR	1/11/2007	G
34	00 619000	\$ 156,542.00	584	XFR	7/3/2007	A
35	00 616200	\$ 349,382.00	666	GJ	8/1/2007	M
36	00 619000	\$ 168,001.00	599	XFR	11/2/2007	A
37	00 619200	\$ 172,863.00	600	XFR	11/28/2007	D
38	00 616400	\$ 358,670.00	683	GJ	12/1/2007	M
39	00 619200	\$ 172,863.00	607	XFR	1/2/2008	N

**Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts
Retirement Selections**

Attachment B-3A Cont.

EXCEPTIONS/ALTERNATE PROCEDURES

- A AAF noted that the invoice for the wire transfer was incomplete as only the first page of the invoice was attached. However, the transfer of funds worksheet description stated the number of individuals and rate per person, totaling the amount of the wire transfer.
- B AAF noted that there was no invoice attached to the wire transfer as backup documentation. AAF noted that the transfer of funds worksheet was signed for approval and the description lists the amount of individuals the payments are made for, however, there is no rate per person stated.
- C AAF noted that there was no invoice attached to the AP voucher to determine if expense was allowable under the contract.
- D AAF noted that there was no invoice attached to the wire transfer as backup documentation. The transfer of funds worksheet was signed for approval but the description does not list the amount of individuals the payments are made for or the rate per person.
- E AAF noted that the expense did not have a valid invoice as the invoice was not on letterhead and the "invoice" was not signed for approval. The expense was for a physician visit which is more routinely expensed through the clergy medical trust.
- F AAF noted that there was no adequate invoice for the expense. The invoice attached is an excel spreadsheet and there is no check stub attached to the expense as with every transaction.
- G AAF was unable to trace cancelled check amount, date and description to the invoice because the respective bank statement does not have the cancelled checks. AAF traced check number and amount per stub attached to invoice to cancelled checks per bank statement without exception.
- H AAF noted that there was no invoice attached to this reimbursement form; only a letter from the priest and the Retirement Home stating the amount that should be reimbursed to the priest.
- I AAF was unable to locate the check because there was no check stub attached to the invoice.
- J The amount per invoice (\$5,784.89) and the amount paid (\$5,770.28) do not agree.
- K The amount per invoice (\$9,008) and amount paid (\$8,969.61) do not agree.
- L AAF was unable to locate the appropriate back up documentation for the wire, however AAF performed alternative procedures to test the wire. As part of the testing, AAF noted the amount being wired out of the retirement account (5063) and into the clergy medical account (5152) within a reasonable period of time.
- M AAF was unable to locate the appropriate back up documentation for the GJ entry but performed the following alternative procedures. AAF sorted the general ledger by the transaction date and GJ Jnl, then traced the total gross amount of retiree expenses to the list of disbursements without exception. AAF then traced the total retiree expenses and disability expenses for the month to the net monthly retirement expenses report without exception. AAF also examined wire transfers transactions for the same day to identify if any wires were transferred for that particular expense. None noted, pass.
- N AAF was unable to examine the wire transfer papers but performed alternate procedures. AAF examined the board minutes, which approve the \$172,863 payment to the Retirement Home. Appears reasonable, pass.
- O AAF obtained the GL print out of the entry as well as the prepaid insurance amount being traced to the audited trial balance. Amounts agree without exception.
- R AAF was unable to locate the appropriate back up documentation for the GJ entry but performed the following alternative procedures. AAF sorted the general ledger by the transaction date and GJ Jnl, but was unable to trace the total amount of retiree expenses to the monthly retiree list of disbursements. AAF was able to trace the June and July retiree expenses to the monthly retiree expenses list without exception. AAF also traced all monthly retiree expenses amounts from FY 2005 and FY 2006 to the GL without exception. This expense states that it is for retiree expense for June 2006, however, it appears to be an additional 13th payment for the year.
- S AAF traced individual's name to an unapproved internal document. The payment was a monthly housing allowance for a priest. Appears reasonable, pass.
- 1 AAF noted 21 priests (@ 541.66 per person) medical assessments being paid for the month of January 05.
- 2 AAF noted 26 priests (@ 541.57 per person) on the RCAB Clergy Medical/Hospitalization Invoice.

Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts
Medical Selections

Attachment B-3B

Note: The following transactions were selected for testing and no supporting documentation was able to be located or alternate procedures were not performed.

Selection	Account	Check	Check Date	Voucher	Invoice Number	Inv Date	Reference	Amount	Fiscal Year
1	621100		7/20/2000	VR				50013 \$ 13,631.00	2001
2	621100		5/17/2001	VR				50808 \$ 11,606.00	2001
3	621500		11/9/2000	VR				50307 \$ 2,750.00	2001
4	637000	4790	8/23/2001		51045 7022001		7/2/2001 R8	\$ 9,411.99	2002
5	637000	5956	1/30/2003		52462 02142003-REIMB		1/14/2003	\$ 4,635.00	2003
6	637000	6071	3/13/2003		52591 01062003-REIMB		3/5/2003	\$ 6,435.00	2003
7	637000	6611	12/4/2003		53243 350600-REIMB		1/9/2003	\$ 2,195.00	2004
8	637000	8169	4/28/2005		54982 03232005-REIMB		4/26/2005	\$ 6,100.00	2005
9	637000	7839	2/3/2005		54640 13833-REIMB		12/29/2004	\$ 2,440.00	2005
10	637000	8131	4/14/2005		54943 02162005-REIMB		2/17/2005	\$ 9,732.00	2005
11	637003	9192	3/16/2006		56048 03212006-REIMB		3/4/2006	\$ 3,099.69	2006

Note: The following transactions were selected for testing and testing was completed with exceptions and alternate procedures noted below.

8	637000	5106	1/10/2002		51433 1042001		1/4/2002	\$ 2,176.00	2002
9	637000	5376	5/2/2002		51763 4022002		4/2/2002 C51	\$ 1,320.00	2002
10	637000	5216	2/14/2002		51557 01082002-REIMB		2/6/2002	\$ 6,715.00	2002
14	637000	6186	5/8/2003		52741 6012003		5/5/2003 SEVERANCE PAY	\$ 4,590.00	2003
16	637000	6090	3/20/2003		52619 1132003		3/11/2003	\$ 4,842.00	2003
21	637000	978			XFR		6/30/2004	\$ 208,195.00	2004
22	637000	6961	4/15/2004		53636 0008654-1N		3/31/2004 W22	\$ 3,009.20	2004
23	637000	6338	7/24/2003		52923 60707 1/5		6/30/2003 W22	\$ 6,418.85	2004
24	637000	7313	8/19/2004		54042 1741		8/4/2004	\$ 2,304.00	2005
28	637000	7265	7/29/2004		53994 1312004		2/29/2004 M45	\$ 15,607.84	2005
29	637000	7435	9/30/2004		54177 R2610		8/31/2004 B42	\$ 16,072.61	2005
32	637000	7619	11/18/2004		54348 US1865		10/31/2004 A31	\$ 8,276.42	2005
38	637000	8736	10/27/2005		55587 216700		10/13/2005	\$ 4,595.00	2006
39	637000	8957	1/5/2006		55814 1012005		1/3/2006	\$ 8,585.00	2006
40	637000	8990	1/12/2006		55828 424		1/3/2006	\$ 4,281.25	2006
41	637000	8717	10/20/2005		55574 727		10/19/2005	\$ 4,065.00	2006
42	621000	9769	10/19/2006		56637 2268153		10/6/2006	\$ 13,070.42	2007
43	621000	10064	1/18/2007		56932 2296902		1/5/2007	\$ 13,397.12	2007
44	637000	9499	7/13/2006		56370 6042006		7/11/2006 P14	\$ 4,680.00	2007
46	637000	10419	5/24/2007		57301 1043279-01		5/18/2007 K9	\$ 10,260.00	2007
48	637000	10736	9/13/2007		57660 8381		9/10/2007 P14	\$ 3,515.00	2008
50	637000	11134	1/10/2008		58078 R2908		11/30/2007 D34	\$ 11,870.25	2008

See below for selection comments

B
C
E
D
F
C
C

EXCEPTIONS/ALTERNATE PROCEDURES

Note: Step 1 only the AP vouchers have approval.

- ~ AAF examined the bank statements and saw the check was cleared but there were no cancelled checks attached to the bank statements. Amount and check number agrees.
- F AAF examined the invoice and notes that only part of the invoice was paid. AAF notes that the invoice paid for two priests who were on administrative leave. The amount paid for these priests was \$750 each.
- ~ There was no invoice attached.
- ~ AAF notes this check was not found cleared in the bank statements three months after it was written.
- B AAF notes there was no invoice attached. There was a letter written to and signed by Priest from the provider. This letter states some service was given to Priest for 128 hours at a rate of \$1
- C AAF notes the invoice amount total was \$7,215 which is \$500 more than the amount paid. Invoice date says 01/8/2001 on the invoice.
- D AAF notes the total current invoice amount was \$5,342 which is \$500 more than the amount paid.
- E AAF notes there was no invoice attached. AAF examined a letter written by the person. This letter request payments for services given to Priest for two months. There is a note on the letter stating each month's pay is \$2,295. The letter is not signed by Priest- it states he was deceased.
- ~ AAF was not able to trace the transfer amount to the respective wired transaction on the bank statement.

**Roman Catholic Archdiocese of Boston - Clergy Benefit Trusts
Non-Incardinated Selections**

Attachment B-3C

Note: The following transactions were selected for testing and no supporting documentation was able to be located or alternate procedures were not performed.

Selection	Account	Check	Transaction	Check Date	Voucher	Journal	Invoice Number	Inv Date	Reference	Amount	Year
1	616200	1037	414	3/1/2001			2	3/1/2001		\$ 345.09	2001
2	616200	1044		6/1/2001	421	CD	71395	6/1/2001		\$ 706.95	2001
3	616200	1096		9/1/2001	428		9/1/2001	9/1/2001		\$ 1,178.05	2002
4	616200	1100		12/1/2001	438		9/1/2001	12/1/2001		\$ 1,178.05	2002
5	637000	1105		1/10/2002	445		1032002	1/3/2002		\$ 200.00	2002
6	616200		444			VR		1/2/2002		\$ 1,213.39	2002
7	616200		495			VR		2/3/2003		\$ 706.95	2003
8	616450		15			XFR	MEM	1/3/2003		\$ 1,284.00	2003
9	616200		511			VR		6/1/2003		\$ 345.09	2003
10	619000	1145	522	7/24/2003			9130-88149	7/1/2003		\$ 328.68	2004
11	616200		550			VR		11/14/2003		\$ 1,894.17	2004
12	616200		564			VR		2/1/2004		\$ 1,287.28	2004
13	616200		617			VR		10/1/2004		\$ 1,287.28	2005
14	616500	1230	670	8/1/2005				8/1/2005		\$ 2,004.98	2006
15	616200		677			VR		9/1/2005		\$ 1,573.88	2006
16	616200		709	3/1/2006		VR				\$ 1,325.89	2006
17	616200		814	11/1/2007		VR				\$ 1,573.88	2006
18	616500	1246	704	2/1/2006			37803	2/28/2006		\$ 1,573.88	2006
19	616200		748	11/1/2006		VR				\$ 807.72	2007
20	616200	1197	744	10/1/2006			37135	10/1/2006		\$ 1,325.89	2007

Note: The following transaction was selected for testing and testing was completed with exceptions and alternate procedures noted below.

1	616200	1313	855	6/19/2008			APRIL-JUNE 2008	6/1/2008		\$ 5,665.98	2008
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Exceptions

✖ AAF noted that there was no supporting invoice.