Financial Statements, Supplemental Schedules and
Report of Independent Certified Public Accountants

The Roman Catholic Archbishop of Boston, A Corporation Sole

June 30, 2006 and 2005

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON, A CORPORATION SOLE
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June 30, 2006 and 2005

Report of Independent Certified Public Accountants

His Eminence
Cardinal Sean Patrick O'Malley, O.F.M. Cap.
The Roman Catholic Archbishop of Boston

We have audited the accompanying balance sheets of The Roman Catholic Archbishop of Boston, A Corporation Sole (the "Corporation Sole") as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Corporation Sole's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation Sole's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Roman Catholic Archbishop of Boston, A Corporation Sole as of June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Grant Thornton LLP

Boston, Massachusetts
March 12, 2007

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE
Statements of Financial Position (in thousands)
June 30, 2006 and 2005

		2006		2005
ASSETS				
Cash and cash equivalents:				
Parish operations	**$**	**61,508**	$	56,861
Revolving loan fund		**81,337**		56,171
Central operations		**31,949**		31,113
Insurance operations		**11,956**		10,531
Parish reconfiguration		**5,544**		2,550
Total cash and cash equivalents		**192,294**		157,226
Cash limited as to use (note J)		**1,069**		7,000
Interest and dividends receivable		**589**		534
Prepaid expenses and other assets		**2,322**		3,378
Accounts receivable, net		**1,490**		2,112
Contributions receivable, net		**2,098**		1,821
Loans receivable, net (note C)		**4,446**		4,835
Land and buildings held for sale (note E)		**3,029**		7,814
Investments and assets held under split-interest agreements (note D)		**64,882**		61,098
Interest in net assets of Foundations (note G)		**14,723**		15,794
Land, buildings and equipment, net (note E)		**327,759**		305,945
Total assets	**$**	**614,701**	$	567,557
LIABILITIES AND NET ASSETS				
LIABILITIES:				
Accounts payable and accrued expenses	**$**	**10,715**	$	10,745
Agency obligations		**484**		1,245
Reserve for losses (note J)		**23,470**		28,863
Due to related organizations		**83**		84
Deferred revenue and support		**19,424**		17,773
Accrued pension and other retirement costs (note H)		**133,028**		135,015
Annuity obligations		**91**		101
Other liabilities		**3,984**		5,651
Note payable - related organization (note F)		**5,332**		4,880
Other notes payable (note F)		**28,816**		33,457
Total liabilities		**225,427**		237,814
NET ASSETS:				
Unrestricted		**344,676**		289,136
Temporarily restricted (note G)		**21,813**		20,203
Permanently restricted (note G)		**22,785**		20,404
Total net assets		**389,274**		329,743
Total liabilities and net assets	**$**	**614,701**	$	567,557

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

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE
Statements of Activities (in thousands)
For the fiscal year ended June 30, 2006
(With summarized information for the fiscal year ended June 30, 2005)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2006 Total	2005 Total
REVENUES, GAINS AND OTHER SUPPORT:					
Collections	$ 107,759	$ 1,563	$ -	$ 109,322	$ 105,212
Collections restricted to assist clergy	-	5,630	-	5,630	4,921
Catholic Appeal	10,868	910	-	11,778	11,577
Contributions, bequests and grants	16,294	3,267	2,233	21,794	22,720
Parish fundraiser events	24,485	-	-	24,485	21,184
Tuition and fees	109,703	-	-	109,703	104,891
Investment income	9,659	730	-	10,389	6,194
Rental income	11,086	-	-	11,086	9,586
Cemetery operations	4,001	-	-	4,001	3,858
Revenue from services provided	5,563	-	-	5,563	6,315
Insurance fund revenues	1,464	-	-	1,464	1,667
Sacramental offerings	5,144	-	-	5,144	4,653
Shrines, candles and flowers	1,657	-	-	1,657	1,415
Other revenues	18,914	56	-	18,970	23,769
Future care receipts	74	-	8	82	106
Change in value of split-interest agreements	-	(2)	-	(2)	(16)
Revenue from and interest in change in net assets of Foundations	-	496	140	636	(1,523)
Net assets released through satisfaction of program restrictions (note G)	11,446	(11,446)	-	-	-
Total revenues, gains and other support	338,117	1,204	2,381	341,702	326,529
EXPENSES:					
Program:					
Pastoral	155,565	-	-	155,565	151,639
Education	137,715	-	-	137,715	130,961
Ministerial	4,198	-	-	4,198	4,555
Social	2,704	-	-	2,704	2,245
Central and Regional services	5,802	-	-	5,802	5,991
Community relations	911	-	-	911	947
Auxiliary services	1,729	-	-	1,729	1,448
Cemetery	4,520	-	-	4,520	4,544
Total program expenses	313,144	-	-	313,144	302,330
Management and general	13,335	-	-	13,335	12,272
Fundraising	8,857	-	-	8,857	7,266
Parish reconfiguration (note I)	2,917	-	-	2,917	2,694
Total expenses	338,253	-	-	338,253	324,562
Operating income (loss)	(136)	1,204	2,381	3,449	1,967
NONOPERATING INCOME (LOSS):					
Net realized and unrealized gain on investments and assets held under split-interest agreements	2,754	406	-	3,160	1,118
Gain on sale of administrative building	390	-	-	390	-
Gain on sale of other land and buildings (note I)	63,146	-	-	63,146	31,248
Insurance and other recoveries (note J)	296	-	-	296	33,792
Settlement and related expenses (note J)	(3,129)	-	-	(3,129)	(32,168)
Resolution of contingency (note J)	-	-	-	-	(25,235)
Parish reconfiguration - funding of past pension service (notes H and I)	(12,700)	-	-	(12,700)	-
Parish reconfiguration - transfers and support to related organizations (note I)	(1,697)	-	-	(1,697)	(585)
Parish reconfiguration - funding of previously forgiven parish obligations to benefit trusts (note H and I)	(3,081)	-	-	(3,081)	-
Change in additional minimum pension plan liability (note H)	9,697	-	-	9,697	(5,825)
Nonoperating income	55,676	406	-	56,082	2,345
CHANGE IN NET ASSETS	55,540	1,610	2,381	59,531	4,312
Net assets at beginning of period	289,136	20,203	20,404	329,743	325,431
Net assets at end of period	$ 344,676	$ 21,813	$ 22,785	$ 389,274	$ 329,743

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

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE
Statement of Activities (in thousands)
For the fiscal year ended June 30, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
Collections	$ 103,589	$ 1,623	$ -	$ 105,212
Collections restricted to assist clergy	-	4,921	-	4,921
Catholic Appeal	11,577	-	-	11,577
Contributions, bequests and grants	14,915	3,590	4,215	22,720
Parish fundraiser events	21,184	-	-	21,184
Tuition and fees	104,891	-	-	104,891
Investment income	5,708	486	-	6,194
Rental income	9,586	-	-	9,586
Cemetery operations	3,858	-	-	3,858
Revenue from services provided	6,315	-	-	6,315
Insurance fund revenues	1,667	-	-	1,667
Sacramental offerings	4,653	-	-	4,653
Shrines, candles and flowers	1,415	-	-	1,415
Other revenues	23,681	88	-	23,769
Future care receipts	101	-	5	106
Change in value of split-interest agreements	(7)	(9)	-	(16)
Revenue from and interest in change in net assets of Foundations	(91)	(1,584)	152	(1,523)
Net assets released through satisfaction of program restrictions (note G)	15,600	(15,600)	-	-
Total revenues, gains and other support	328,642	(6,485)	4,372	326,529
EXPENSES:				
Program:				
Pastoral	151,639	-	-	151,639
Education	130,961	-	-	130,961
Ministerial	4,555	-	-	4,555
Social	2,245	-	-	2,245
Central and Regional services	5,991	-	-	5,991
Community relations	947	-	-	947
Auxiliary services	1,448	-	-	1,448
Cemetery	4,544	-	-	4,544
Total program expenses	302,330	-	-	302,330
Management and general	12,272	-	-	12,272
Fundraising	7,266	-	-	7,266
Parish reconfiguration (note I)	2,694	-	-	2,694
Total expenses	324,562	-	-	324,562
Operating income (loss)	4,080	(6,485)	4,372	1,967
NONOPERATING INCOME (LOSS):				
Net realized and unrealized gain on investments and assets held under split-interest agreements	(174)	1,292	-	1,118
Gain on sale of other land and buildings (note I)	31,248	-	-	31,248
Insurance and other recoveries (note J)	33,792	-	-	33,792
Settlement and related expenses (note J)	(32,168)	-	-	(32,168)
Resolution of contingency (note J)	(25,235)	-	-	(25,235)
Parish reconfiguration - transfers and support to related organizations (note I)	(585)	-	-	(585)
Change in additional minimum pension plan liability (note H)	(5,825)	-	-	(5,825)
Nonoperating income	1,053	1,292	-	2,345
CHANGE IN NET ASSETS	5,133	(5,193)	4,372	4,312
Net assets at beginning of period	284,003	25,396	16,032	325,431
Net assets at end of period	$ 289,136	$ 20,203	$ 20,404	$ 329,743

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

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE
Statements of Cash Flows (in thousands)
For the fiscal years ended June 30, 2006 and 2005

	2006	2005
OPERATING ACTIVITIES:		
Change in net assets	$ 59,531	$ 4,312
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:		
Net realized and unrealized gain on investments and assets held in trust	(3,160)	(1,118)
Change in value of split-interest agreements	2	16
Depreciation	12,009	9,708
Interest accrued on note payable - related organization	452	-
Gain on sale of administrative building	(390)	-
Gain on sale of other land and buildings	(63,146)	(31,248)
Provision (credit) for uncollectible accounts receivable, contributions and loans	(573)	141
Change in interest in net assets of Foundations	1,071	7,201
Changes in operating assets and liabilities:		
Cash limited as to use	5,931	(7,000)
Interest and dividends receivable	(55)	(185)
Prepaid expenses and other assets	1,056	440
Accounts receivable, net	622	(1,711)
Contributions receivable, net	(277)	(419)
Accounts payable and accrued expenses	(30)	526
Agency obligations	(761)	(985)
Reserve for losses	(5,393)	24,617
Due to related organizations	(1)	(184)
Deferred revenue and support	1,651	778
Accrued pension cost	(1,987)	9,790
Other liabilities	(1,667)	(4,445)
Net cash and cash equivalents provided by operating activities	4,885	10,234
INVESTING ACTIVITIES:		
Proceeds from sale of land and buildings	71,660	30,392
Purchase of land, buildings and equipment	(37,162)	(27,347)
Proceeds from sale of investments and maturity of annuities	1,434	1,882
Purchase of investments	(1,497)	(5,165)
Net (advances) repayments on loans receivable	389	1,899
Net cash and cash equivalents provided by (used in) investing activities	34,824	1,661
FINANCING ACTIVITIES:		
Note payable - related organization	-	4,880
Proceeds from other notes payable	-	6,453
Payments on other notes payable	(4,641)	(978)
Net cash and cash equivalents (used in) provided by financing activities	(4,641)	10,355
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,068	22,250
Cash and cash equivalents at beginning of year	157,226	134,976
Cash and cash equivalents at end of year	$ 192,294	$ 157,226

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

NOTE A - NATURE OF ORGANIZATION

The Roman Catholic Archbishop of Boston, A Corporation Sole (the "Corporation Sole") is a legal entity created under Massachusetts civil law in 1897 to provide the Roman Catholic Archbishop of Boston with a means to operate within, and be governed by, the public statutes of the Commonwealth of Massachusetts. The Corporation Sole, as an entity, is distinguishable from the Roman Catholic Archbishop of Boston whose powers and responsibilities are established by Canon Law.

The accompanying financial statements of the Corporation Sole include the activities of all parishes located within the Archdiocese, the Central Funds, which have administrative responsibility for the activities of the Corporation Sole, endowment funds and insurance funds.

The Archbishop of Boston, by virtue of his office, serves as chairman of the board of numerous separately incorporated Catholic organizations that operate within the Archdiocese of Boston. While these organizations are considered to be related organizations of the Corporation Sole, they are not under the control of the Corporation Sole and, accordingly, their financial activities are not presented as part of the accompanying financial statements.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation

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

The Corporation Sole reports three classes of net assets and the changes in those net assets in the statements of financial position and statements of activities, respectively. The three classes of net assets - unrestricted, temporarily restricted and permanently restricted - are based on the existence or absence of donor-imposed restrictions, either explicit or implicit. The three classifications are defined as follows:

Unrestricted net assets - Assets and contributions that are not restricted by the donor or for which restrictions have expired.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that permit the Corporation Sole to use or expend the donated assets as specified and is satisfied by either the passage of time or by actions of the Corporation Sole.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Corporation Sole. Generally, the donors of these assets permit the Corporation Sole to use, all or in part, the income earned on related investments for general or specific purposes. Unexpended appreciation on permanently restricted net assets is included in temporarily restricted net assets.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The Corporation Sole reports gifts of cash and other assets as restricted support if they are donor restricted as to purpose or time. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The Corporation Sole reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation Sole reports expirations of donor restrictions in the period the expenditure is made.

Cash Equivalents

Financial instruments with original maturities of three months or less at purchase are classified as cash equivalents. Included in cash equivalents are investments in money market mutual funds approximating $122.8 million and $61.3 million at June 30, 2006 and 2005, respectively.

The Corporation Sole deposits its cash in major financial institutions. These deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $100,000. At times, such cash is significantly in excess of FDIC-insured limits. The Corporation Sole has not experienced any losses as a result of the use of uninsured deposit accounts.

Accounts and Loans Receivable

Accounts receivable include amounts due for tuition and amounts due from related organizations and are reduced by an allowance for doubtful collections. Loans receivable represent advances made to related organizations, principally Archdiocesan high schools and other Catholic organizations.

Loans receivable are stated at the amount of unpaid principal, reduced by an allowance for loan losses. Generally, loans are granted for specific periods of time and contain specific provisions for monthly payments. Loans are collateralized by certain assets of the related organization being granted the loan. Interest income on performing loans is accrued at rates ranging from 5.5% to 10% on the respective unpaid principal balance.

Loans are classified as nonperforming, and considered impaired, when they are over ninety days past due. Generally, loans are restored to performing status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time and the ultimate collectibility of the total contractual principal and interest is no longer in doubt.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Allowances for Loan Losses

The allowance for loan losses is maintained at a level believed by management to be representative of inherent losses estimated on the basis of factors such as the risk characteristics of the borrower, underlying collateral and current economic conditions that may affect the borrower's ability to pay. Loans are charged off in whole or in part when, in management's opinion, collectibility is considered remote. Subsequent recoveries, if any, are credited back to the allowance for loan losses.

While management uses available information to establish the allowance for loan losses, future additions or reductions to the allowance may become necessary if circumstances differ from the assumptions used in making the evaluation.

Investments and Assets Held under Split-Interest Agreements

Investments are carried at fair value. Accordingly, changes in market values are reflected in the statements of activities as gains or losses on investments and assets held under split-interest agreements.

Assets held under split-interest agreements are carried at fair value and consist of assets received under charitable gift annuities which are principally invested in mutual funds held by a third party custodian.

Interest in Net Assets of Foundations

The Corporation Sole is a designated beneficiary in certain pledges and assets held by the Catholic Foundation of the Archdiocese of Boston, Inc. ("The Catholic Foundation") and is the sole beneficiary of the net assets of St. Mary's High School Foundation, Inc. ("St. Mary's Foundation"), collectively referred to as the "Foundations".

Land, Buildings and Equipment

Land and land improvements, buildings and building improvements, and furniture and equipment are carried at cost, or if donated, at fair market value at the time of donation. Depreciation is recorded on the straight-line basis over the estimated useful lives of the assets, which range from five years for furniture and equipment to forty years for buildings. Expenditures for maintenance and repairs are charged to expense, whereas major betterments are capitalized.

Land and buildings held for sale are accounted for at the lower of cost or market. When buildings are classified as held for sale, depreciation is no longer recorded.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Self Insurance and Reinsurance

The Corporation Sole is partially self-insured for various risks incidental to the normal course of its activities. Such risks include fire damage (up to $500,000 annually), general liability claims (up to $250,000 per occurrence), theft losses and sudden accidental occurrences to boilers and related equipment. In addition, the Corporation Sole participates with other Catholic organizations in a separate workers' compensation self-insurance group, Massachusetts Catholic Self-Insurance Group, Inc., a related organization.

The Corporation Sole also permits related organizations within the Archdiocese to participate in its risk management program. A charge is made to these entities based on the type of risks shared among the related organizations. The typical areas that the other organizations of the Archdiocese collaborate on include automobile liability, physical property damage and general liability. The Corporation Sole also provides additional coverage for the peril of all fire, sudden and accidental occurrences, catastrophic umbrella liability and other miscellaneous coverage through the direct purchase of insurance. The Corporation Sole has retained additional carriers for its auto insurance and these carriers cover losses up to $1 million with additional catastrophic limits.

The reserve for insurance losses is based on losses reported, historical experience and estimates of future trends in loss severity and frequency and other factors, which could vary as losses are ultimately settled. In addition, the Corporation Sole retains an actuary to perform an independent analysis of loss trends. Although the Corporation Sole's management believes that these estimates are reasonable in the circumstances, there is an absence of a significant amount of experience as to whether actual incurred losses and loss adjustment expenses will conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and loss adjustment expenses may vary significantly from the estimated amounts included in the financial statements. The methods used to develop these reserves are subject to continuing review and refinement, and any necessary adjustments to these reserves are reflected in the statement of activities in the year identified.

Deferred Revenue and Support

Deferred revenue and support represents advance payments received for tuition, fees and support for program services to be provided in future periods.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Other Liabilities

Other liabilities represent amounts held on deposit for the benefit of other institutions, parish obligations and miscellaneous other liabilities not classified elsewhere herein.

Collections

Collections represent contributions collected by Archdiocesan parishes for general and specified purposes. These funds are raised for parish operations and other purposes such as hunger, homelessness, and other human welfare programs and are reported as revenue in the statement of activities. Collections at Archdiocesan parishes for specified beneficiary organizations are not recorded as revenues, but are reflected as agency obligations until such time as the funds are remitted to the specified organization.

Catholic Appeal

The Catholic Appeal represents an annual solicitation of funds through direct mailings and Archdiocesan parishes in support of various centrally managed programs of the Archdiocese.

Contributions, Bequests and Grants

Unconditional promises to give are reported at fair value on the date the promise is verifiably committed. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The present value discounts on those amounts are computed using a risk free interest rate applicable to the years in which the promises are received. Amortization of discounts is included in contributions revenue. Unconditional promises to give are reported as contributions receivable. Conditional promises to give are not included as support until the conditions are substantially met.

Rental Income

External parties and certain related organizations are charged rent for the use of property owned and operated by the Corporation Sole. Management believes rental charges to these entities estimates fair market rental value.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue from Services Provided

The Corporation Sole provides various administrative and technology services to related organizations for which it earns fees. Such services include risk and benefits management, treasury and investment management, financial management, information technology and property management services. Fees and other revenue are also generated by pastoral and ministerial workshops and retreats, tribunal services and newspaper publications.

Other Revenues

Other revenue primarily represents income from various goods sold and services provided by the parishes and parish schools.

Future Care Funds

The Corporation Sole sets aside 30% of all proceeds from parish cemetery mausoleum sales which are deposited into a future care fund maintained by the Corporation Sole and are included in permanently restricted net assets as future care receipts within the statement of activities. With respect to parish cemetery plot sales, the Corporation Sole's recommended guideline is for each parish to deposit 10% of all proceeds into a future care fund. This guideline is voluntary and each parish establishes its own policy. The latter is included in unrestricted net assets as future care receipts within the statement of activities.

Future care funds include funds for cemeteries operated under the Corporation Sole and do not include cemeteries within the geographic territory of the Archdiocese of Boston that are not part of Corporation Sole.

Split-Interest Agreements

Contribution revenue derived from charitable gift annuities is determined by comparing the fair value of the assets associated with the instrument to the present value of the amounts expected to be paid to beneficiaries under the arrangement. This process requires the use of life expectancy and other assumptions in determining the amount to record. When the Corporation Sole has control over the assets associated with the gift annuity, such assets and the liability associated with obligations under the instrument are recorded on a gross basis. If third parties control the assets associated with the gift annuity, only the net amount expected to be received is recorded.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Income Taxes

The Corporation Sole is included in the United States Catholic Conference Group Ruling and in the Official Catholic Directory and is therefore exempt from income tax under section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in these financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The more significant items presented herein affected by the use of estimates are the allowances for uncollectible receivables, depreciable lives of buildings and equipment, the reserve for losses, the accrued pension and other post-retirement obligation and the reserve for conditional asset retirement obligations. Actual results could vary from those estimates.

Conditional Asset Retirement Obligations

During the year ended June 2006, the Corporation Sole adopted Financial Accounting Standards Board (FASB) Interpretation No. 47 "Accounting for Conditional Asset Retirement Obligations." In the normal course of its operations, the Corporation Sole incurs legal obligations to perform certain retirement activities with regard to the ultimate disposition of some of its tangible long-lived assets due to the nature of material used in their construction or operation. The timing of the performance of these retirement activities is within the control of the Corporation Sole and, due to the long useful lives of these assets, will be performed at some future date. The Corporation Sole was able to estimate its conditional asset retirement obligation for long-lived assets that are expected to undergo major renovations or have been identified for demolition. The Corporation Sole was not able to reasonably estimate the fair value of its asset retirement obligation for numerous other long-lived assets as the range of time over which it may settle the obligation is unknown or cannot be estimated.

The Corporation Sole has recorded approximately a $3 million estimated liability for these activities that is included in other liabilities in the accompanying statement of financial position. As the estimated obligation liability is not considered material to Corporation Sole' financial position and results of operations, the cumulative effect of the initial adoption of this new accounting principle has been included in the statement of activities under program expenses.

Reclassifications

Certain reclassifications have been made to the 2005 financial statements to conform to the 2006 presentation.

NOTE C - LOANS RECEIVABLE

Loans receivable consisted of the following at June 30 and are due from various Archdiocesan related organizations (primarily Archdiocesan Central High Schools, Inc.) ($000's):

	2006	2005
Performing loans receivable	**$ 4,934**	$ 5,467
Nonperforming loans	**69,236**	68,918
	74,170	74,385
Allowance for loan losses	**(69,724)**	(69,550)
Net loans receivable	**$ 4,446**	$ 4,835

Changes in the allowance for loan losses were as follows for the years ended June 30 ($000's):

	2006	2005
Balance at beginning of year	**$69,550**	$71,418
Write off of uncollectible loans	**(618)**	(1,298)
Provision (credit) for loan losses	**792**	(570)
Balance at end of period	**$69,724**	$69,550

Nonperforming Loans

In prior years, the Corporation Sole made non-interest bearing demand loans to the Archdiocesan Central High Schools, Inc. (ACHS) to fund its operations. These loans are collateralized by all assets of ACHS, including real estate. Through June 30, 2004, ACHS' Board of Trustees governed eight Catholic high schools located within the geographic boundaries of the Archdiocese of Boston. On July 1, 2004, ACHS transferred the governance and the personal property relating to the operations of each of these schools to eight newly formed legal entities, one for each school with each having its own new Board of Trustees. ACHS continues to own the real estate being used for the high schools and has entered into four year leases at a nominal annual rental with each of the newly formed legal entities.

NOTE C - LOANS RECEIVABLE - Continued

No payments have been made on these loans for several years and the Corporation Sole has not demanded repayment. In addition, these loans were fully reserved in prior years as their ultimate collection was judged to be uncertain.

Based on the appraisals performed in connection with the transfer of ownership noted above, and the terms of the bargain purchase options, management believes that a portion of these loans will be repaid in future periods with the net proceeds from the sale of the real estate securing these loans. There is still, however, considerable uncertainty concerning both the amount and timing of the repayments. Accordingly, in the opinion of management, no adjustment to the reserve is warranted at this time.

NOTE D - INVESTMENTS AND ASSETS HELD UNDER SPLIT-INTEREST AGREEMENTS

Investments and assets held under split-interest agreements consisted of the following at June 30 ($000's):

	2006	2005
Common Investment Fund	**$51,945**	$49,165
Fixed Income Fund	**3,606**	3,791
Marketable equity securities	**87**	76
Short-term investments (primarily certificates of deposit)	**9,109**	7,931
Total investments	**64,747**	60,963
Assets held under split-interest agreements (mutual funds)	**135**	135
Total investments and assets held under split-interest agreements	**$64,882**	$61,098

Included in investments are holdings in the Common Investment Fund, Roman Catholic Archbishop of Boston (the "Common Investment Fund"), which invests primarily in equity and fixed-income securities, and the Fixed Income Investment Fund, Roman Catholic Archbishop of Boston (the "Fixed Income Fund"). Both are separate related organizations established to provide a common investment pool in which the Corporation Sole and other Catholic organizations may participate. The participants own units based upon a per-unit value at the time of purchase. The dividend policy of the Common Investment Fund is to distribute 1% of the market value of the fund as of the first day of each quarter on the last day of the same quarter. The dividend policy of the Fixed Income Fund is to distribute the net investment income earned during each quarter on the last day of the same quarter. This dividend policy is subject to change at the discretion of the Trustee, the Roman Catholic Archbishop of Boston. The Common Investment Fund and the Fixed Income Fund incur service fees from the Corporation Sole for administrative and clerical services performed on behalf of the two Funds.

NOTE E - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at June 30 ($000's):

	2006	2005
Buildings and improvements	**$ 996,365**	$ 978,293
Land and land improvements	**56,377**	56,958
Furniture and equipment	**77,160**	76,702
	1,129,901	1,111,953
Less accumulated depreciation	**(802,143)**	(806,008)
Net land, buildings and equipment	**$ 327,759**	$ 305,945

Land and buildings held for sale at June 30, 2006 and 2005 are carried at cost, net of accumulated depreciation, which is not in excess of estimated net realizable value.

NOTE F - NOTES PAYABLE

Note Payable - Related organization

On April 22, 2005, the Corporation Sole entered into a $4.9 million note with St. John's Seminary, a related organization. The loan principal together with interest accrued from the date of the note is to be paid on January 1, 2011. For the period from July 1, 2005 through January 1, 2011, interest compounds on the note at a rate equivalent to the average total return of the Common Investment Fund, which was 8.45% for the year ended June 30, 2006.

NOTE F - NOTES PAYABLE - continued

Other Notes Payable

Other notes payable consisted of the following at June 30 ($000's):

Type	Interest Rate	Maturity Date	2006	2005
Mortgage note - Central Funds	5.54%	November 1, 2022	**$27,409**	$30,604
Mortgage note - Parish	5.75%	September 19, 2023	**275**	284
Mortgage note - Parish	5.75%	November 1, 2023	**24**	24
Mortgage note – Parish	6.37%	October 16, 2010	**1,096**	-
Auto loan - Parish	4.99%	June 16, 2008	**12**	18
Total mortgage notes and auto loan			**28,816**	30,930
Non-Revolving Construction Line of Credit - Parish	5.50%	October 16, 2005	**-**	2,527
Total other notes payable			**$28,816**	$33,457

The mortgage note - Central Funds is collateralized by the remaining Archdiocesan administrative campus and the Cathedral of the Holy Cross property. On March 2, 2006, an additional principal payment of $1,992,788 was made. The funding of this payment was the cumulative repayments received on a 2002 related organization performing loan, (see note C for a summary of all related organizations loans). The mortgage note agreement contains certain financial and other covenants relative to the credit facility including restrictions on additional debt, loan to value ratios of the mortgaged property as well as certain reporting and other requirements. At June 30, 2006, the Corporation Sole was in compliance with all financial covenants. All other notes are collateralized by the respective parish properties for which the proceeds were used.

Scheduled payments on the mortgage notes and auto loan as of June 30, 2006 are as follows ($000's):

	Principal	Interest	Total
2007	$ 1,193	$ 1,455	$ 2,648
2008	1,367	1,508	2,875
2009	1,439	1,430	2,869
2010	1,521	1,348	2,869
2011	2,535	1,221	3,756
Thereafter	20,761	6,497	27,258
Total	$28,816	$13,459	$42,275

NOTE F - NOTES PAYABLE - continued

Interest expense on notes payable was $1.7 million and $1.8 million for the years ended June 30, 2006 and 2005, respectively.

NOTE G - TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets were available for the following purposes at June 30 ($000's):

	2006	2005
Interest in net assets of Foundations - purpose restricted	**$ 6,189**	$ 7,400
Interest in net assets of Foundations - time restricted	**580**	580
Pastoral	**3,453**	3,867
Education	**1,536**	2,038
Buildings and equipment	**1,624**	1,517
Religious women's retirement	**1,402**	1,218
Program specific	**7,029**	3,583
Total	**$21,813**	$20,203

Net assets released from temporary restrictions through satisfaction of program restrictions were expended for the following purposes for the years ended June 30 ($000's):

	2006	2005
Clergy retirement benefits	**$ 5,630**	$ 4,921
Special collection purposes	**990**	1,861
Program specific	**4,826**	8,818
Total	**$11,446**	$15,600

NOTE G - TEMPORARILY RESTRICTED AND PERMANENTLY RESTRICTED NET ASSETS - Continued

Permanently restricted net assets were restricted as follows at June 30 ($000's):

	2006	2005
Interest in net assets of Foundations	**$ 7,954**	$ 7,814
Pastoral	**6,723**	5,690
Education	**5,323**	4,570
Ministerial	**2,463**	2,016
Other	**322**	314
Total	**$22,785**	$20,404

Total interest in net assets of Foundations designated for the Corporation Sole at June 30, were restricted as follows ($000's):

	2006	2005
Temporarily restricted	**$ 6,769**	$ 7,980
Permanently restricted	**7,954**	7,814
Total	**$14,723**	$15,794

NOTE H - BENEFIT PLANS

Lay Employee Pension Plan

The Corporation Sole participates with other related organizations in a noncontributory, defined-benefit multi-employer pension plan covering substantially all lay employees. Benefits are provided through the Roman Catholic Archdiocese of Boston Pension Plan (the "Pension Plan"). The Corporation Sole's employees represent approximately 63% of all lay employees covered under the Pension Plan. The Pension Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension expense allocated to the Corporation Sole is based on payroll cost and amounted to $7.1 million and $7.2 million for the years ended June 30, 2006 and 2005, respectively.

NOTE H - BENEFIT PLANS - Continued

In February 2006, the Finance Council of the Corporation Sole authorized additional funding into the Lay Employee Pension Plan using parish reconfiguration funds. During fiscal year 2006, $12.7 million in parish reconfiguration funds (note I) were used to fund prior years unfunded pension liability associated with lay employees at Archdiocesan parishes.

Accumulated plan benefits information, as provided by consulting actuaries, has not been distinguished from the benefits of the other organizations participating in the Pension Plan and, accordingly, such information is not presented herein. At June 30, 2006, the audited financial statements of the Pension Plan reflected approximately $257.5 million in net assets available for benefits and $267.3 million in accumulated plan benefits.

Lay Employee Health and Dental Plan

The Corporation Sole participates with other related organizations in a contributory defined-benefit multi-employer health and dental plan covering substantially all lay employees. Benefits are provided through the Roman Catholic Archdiocese of Boston Health Benefit Plan (the "Health Plan"). The Corporation Sole's employees represent approximately 31% of all lay employees covered under the Health Plan. The Health Plan agreement provides that the participating employers make monthly contributions to the Plan of a specified amount for each class of employee. The Corporation Sole's contributions to the Health Plan amounted to $16.7 million and $11.5 million for the years ended June 30, 2006 and 2005, respectively.

In July 2000, The Roman Catholic Archbishop of Boston, in the sprit of the Jubilee Year, forgave certain parish obligations. One of these obligations was $2.6 million of outstanding assessments of the Health Plan. In the year ended June 30, 2006, $2.6 million of parish reconfiguration funds were contributed to the Health Plan to restore the previously forgiven obligations.

At June 30, 2006, the audited financial statements of the Health Plan reflected approximately $5.4 million in benefit obligations and $29.4 million in net assets available for benefits.

NOTE H - BENEFIT PLANS - Continued

Clergy Plans

Archdiocese of Boston Clergy Retirement/Disability Plan

The Corporation Sole sponsors in a single-employer, noncontributory, defined benefit pension and disability plan covering clergy who are incardinated in the Archdiocese of Boston and in good standing according to the norms of Canon Law. Benefits are provided through the Archdiocese of Boston Clergy Retirement/Disability Plan (the "Clergy Retirement Plan"). The Clergy Retirement Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA").

The Clergy Retirement Plan also offers other post-retirement benefits, including health, dental and subsistence benefits which are expected to be paid to or on behalf of currently retired clergy and active clergy after retirement. This obligation is unfunded. Effective January 1, 2006, the Clergy Retirement Plan had a change in provisions that discontinued reimbursement to Senior Priests for the Medicare Part B monthly premiums.

The assets and obligations of the Clergy Retirement Plan and the Corporation Sole's other post-retirement obligations to clergy were as follows as of June 30, 2006 and 2005.

Benefit Obligations ($000s)

	Pension Benefits		Other Benefits	
	2006	2005	**2006**	2005
Change in benefit obligation:				
Benefit obligation at beginning of year	**$146,714**	$141,203	**$45,716**	$39,547
Service cost	**2,149**	2,084	**760**	720
Interest cost	**7,579**	8,343	**2,394**	2,365
Plan amendment	**-**	-	**(6,218)**	-
Actuarial (gain)/loss	**(26,028)**	4,404	**3,583**	4,803
Benefits paid	**(9,121)**	(9,320)	**(1,763)**	(1,719)
Benefit obligation at end of year	**$121,293**	$146,714	**$44,472**	$45,716

NOTE H - BENEFIT PLANS - Continued

Weighted average assumptions used to determine benefit obligations, end of year:

	Pension Benefits		Other Benefits	
	2006	2005	**2006**	2005
Discount rate	**6.50%**	5.25%	**6.50%**	5.25%
Rate of compensation increase	**N/A**	N/A	**N/A**	N/A
Health care cost trend rate is assumed for next year			**8.00%**	8.50%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)			**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate			**2012**	2012

Plan Assets ($000s)

	Pension Benefits		Other Benefits	
	2006	2005	**2006**	2005
Change in Plan assets:				
Fair value of Plan assets at beginning of year	**$61,357**	$64,522	**$ -**	$ -
Actual return on Plan assets	**3,552**	2,954	**-**	-
Parish collections - restricted	**(279)**	3,151	**337**	1,719
Contributions and bequests	**-**	50	**1,426**	-
Benefits and other expenses paid	**(9,121)**	(9,320)	**(1,763)**	(1,719)
Fair value of Plan net assets at end of year	**$55,509**	$61,357	**$ -**	$ -

The asset allocation for the Clergy Retirement Plan at the end of 2005 and 2006, and the target allocation for 2007, by asset category, are as follows:

	Target	% of Plan Assets at Year End	
	2007	**2006**	2005
Equity Securities	47%	**54%**	48%
Debt Securities	31%	**24%**	32%
Real Estate*	19%	**19%**	17%
Cash	3%	**3%**	3%
Total	100%	**100%**	100%

*Real estate property is valued at book value.

NOTE H - BENEFIT PLANS - Continued

The investment policy and strategy, as established by the Corporation Sole, is to provide for growth of capital with a moderate level of volatility by investing assets based on the target allocations stated above. The Clergy Retirement Plan will reallocate its investments periodically to meet the above target allocations. The Clergy Retirement Plan also reviews its investment policy periodically to determine if the policy or allocations should be changed.

Reconciliation of Funded status ($000s)

	Pension Benefits		Other Benefits	
	2006	2005	**2006**	2005
Funded status	**$(65,784)**	$(85,357)	**$(44,472)**	$(45,716)
Unrecognized prior service cost	**-**	-	**(6,218)**	-
Unrecognized net loss (gain) from experience different from that assumed	**(16,195)**	9,697	**(359)**	(3,942)
Accrued cost	**$(81,979)**	$(75,660)	**$(51,049)**	$(49,658)

Amounts reflected in the statements of financial position consist of ($000s)

	Pension Benefits		Other Benefits	
	2006	2005	**2006**	2005
Accrued benefit liability	**$(81,979)**	$(75,660)	**$(51,049)**	$(49,658)
Additional minimum liability	**-**	(9,697)	**-**	-
Total	**$(81,979)**	$(85,357)	**$(51,049)**	$(49,658)

Components of Net Pension Cost ($000s)

	Pension Benefits		Other Benefits	
	2006	2005	**2006**	2005
Service cost for benefits earned during the period	**$2,149**	$2,084	**$ 760**	$ 720
Interest cost on projected benefit obligation	**7,579**	8,343	**2,394**	2,365
Expected return on Plan assets	**(3,688)**	(4,375)	**-**	-
Net amortization and deferral	**-**	-	**-**	(252)
Net periodic pension cost	**$6,040**	$6,052	**$3,154**	$2,833

NOTE H - BENEFIT PLANS - Continued

Weighted average assumptions used to determine benefit plan cost:

	Pension Benefits		Other Benefits	
	2006	2005	**2006**	2005
Discount rate	**5.25%**	6.00%	**5.25%**	6.00%
Rate of compensation increase	**N/A**	N/A	**N/A**	N/A
Expected return on plan assets	**6.50%**	7.00%	**N/A**	N/A
Health care cost trend rate is assumed for next year			**8.50%**	9.00%
Rate to which the cost trend rate is assumed to decline (ultimate trend rate)			**5.00%**	5.00%
Year that the rate reaches the ultimate trend rate			**2012**	2012

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

	One Percentage Point Increase		One Percentage Point Decrease	
	2006	2005	**2006**	2005
Effect on Other Benefits service and interest cost	**$ 409**	$ 578	**$ (336)**	$ (456)
Effect on Other Benefits benefit obligation	**6,093**	6,615	**(5,026)**	(5,418)

To determine the expected long-term rate of return, the Clergy Retirement Plan considered the historical returns of the major market indicators relating to the target asset allocation, as well as the current economic and financial market conditions.

Expected Cash Flows ($000s)

Benefit Payments

	Pension Benefits	Other Benefits
2007	$10,470	$ 2,239
2008	10,114	2,389
2009	9,745	2,506
2010	9,380	2,609
2011	8,967	2,696
2012-2016	39,251	14,328

NOTE H - BENEFIT PLANS - Continued

Archdiocese of Boston Clergy Benefit Trust

The Corporation Sole sponsors a single-employer, noncontributory benefit trust that was established for the purpose of generating and providing support for the benefit of clergy who are incardinated in the Archdiocese of Boston and in good standing according to the norms of Canon Law. Benefits provided through the Archdiocese of Boston Clergy Benefit Trust (the "Clergy Benefit Trust") includes the funding of the Archdiocese of Boston Clergy Medical/Hospitalization Plan, The Archdiocese of Boston Clergy Retirement/Disability Plan and the Archdiocese of Boston Benefit Trust for Non-Incardinated Priests Duly Assigned for Services in the Archdiocese of Boston on an as needed basis. Additional benefits include support for the well-being of clergy incardinated in the Roman Catholic Archdiocese of Boston as the discretion of the Trustee. The Clergy Benefit Trust is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA").

During the year ended June 30, 2006, $5.5 million of collections from parishes restricted to assist Clergy was contributed into the Clergy Benefit Trust. For the year ended June 30, 2005, these restricted collections were contributed directly to the Clergy Retirement/Disability Plan. During the years ended June 30, 2006 and 2005, $100,000 and $500,000, respectively, were disbursed to support the Archdiocese of Boston Clergy Medical/Hospitalization Plan and $3.2 million and $3.6 million, respectively, were disbursed for supplementary clergy benefits. At June 30, 2006, the audited financial statements of the Clergy Benefit Trust reflected $9.0 million in net assets available for benefits. Subsequent to June 30, 2006, $5.0 million of the net assets available for benefits was disbursed to the Clergy Retirement/Disability Plan.

Archdiocese of Boston Clergy Medical Plan

The Corporation Sole participates in a multi-employer contributory defined-benefit health and dental plan covering clergy who are incardinated in the Archdiocese of Boston and in good standing according to the norms of Canon Law. Benefits are provided through the Roman Catholic Archdiocese of Boston Clergy Medical/Hospitalization Plan (the "Clergy Health Plan"). The Clergy Health Plan provides that the Corporation Sole and related organizations that have covered clergy make monthly contributions to the Plan based on their number of clergy. The Clergy Health Plan is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). The Corporation Sole contributed approximately $2.7 million and $2.8 million for the years ended June 30, 2006 and 2005, respectively. At June 30, 2006, the audited financial statements of the Clergy Health Plan reflected a $417,479 deficiency in net assets available for benefits.

In July 2000, The Roman Catholic Archbishop of Boston, in the sprit of the Jubilee Year, forgave certain parish obligations. One of these obligations was $435,705 of outstanding assessments of the Clergy Health Plan. In fiscal year ended June 30, 2006, funds of parish reconfiguration totaling $435,705 were used to restore the previously forgiven obligations.

NOTE H - BENEFIT PLANS - Continued

Archdiocese of Boston Non-Incardinated Priests Trust

The Corporation Sole participates in a multi-employer non-contributory Archbishop defined health and benefit plan covering priests who are non-incardinated in the Roman Catholic Archdiocese of Boston and assigned for service in the Archdiocese of Boston. These benefits are provided through the Benefit Trust for Non-Incardinated Priests Duly Assigned for Services in Archdiocese of Boston (the "Non-Incardinated Trust"). The Non-Incardinated Trust is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). During the year ended June 30, 2006 $100,510 of collections from parishes restricted to assist Clergy was contributed into the Non-Incardinated Trust ($50,072 during the year ended June 30, 2005). At June 30, 2006, the audited financial statements of the Non-Incardinated Trust reflected $74,570 in net assets available for benefits.

NOTE I - PARISH RECONFIGURATION

In May 2004, the Corporation Sole entered into a reconfiguration plan that included the suppression of certain parishes. This plan was in response to significant changes occurring within the Archdiocese of Boston, including changing demographics, a decline in the number of clergy, and the impact of deferred maintenance on parish properties. Since the initial plan was established, sixty-four parishes have been closed and consolidated with adjoining parishes.

The Corporation Sole separately accounts for all financial activities of Archdiocesan parishes as a separate reporting unit in its financial statements. Beginning in 2005, with the implementation of the parish reconfiguration plan, the Corporation Sole transferred the accounting for all closed parishes to Central Funds, another reporting unit of the Corporation Sole. At the time a parish is closed, the unrestricted net assets of the parish, as reflected on the Corporation Sole's parish books and records, are transferred to Central Funds at their net book value. These net asset transfers totaled approximately $1.0 million and $33.9 million in fiscal years 2006 and 2005, respectively. During fiscal year 2006, there was a reinstatement of certain parishes that had been part of the fiscal year 2005 closed parish transfer. Approximately $900,000 of the prior year net asset transfer was returned to ongoing parishes' reporting unit as such assets were no longer suppressed.

The land and buildings associated with twenty-five suppressed parishes were sold with gains of approximately $40.3 million and $11.8 million being recognized during the years ended June 30, 2006 and 2005, respectively. These gains are included in the accompanying statement of activities as part of the "gain on sale of other land and buildings". Included in the gain in fiscal 2005 is approximately $1.7 million from one sale to a related organization.

NOTE I - PARISH RECONFIGURATION - Continued

The cost of maintaining the suppressed parish properties are included in the accompanying statement of activities as "parish reconfiguration" expenses.

In fiscal years 2006 and 2005, land, buildings and equipment associated with suppressed parishes were contributed to related organizations. The related organization transfers and financial support is reported as "parish reconfiguration - transfers and support to related organizations".

In February 2006, the Finance Council of the Corporation Sole authorized the repayment of certain parish obligations, which had been forgiven in July 2000 by the Roman Catholic Archbishop of Boston. The source of this repayment was from parish reconfiguration funds. In fiscal year 2006, $3.0 million of parish reconfiguration funds were used to restore previous parish forgiven obligations of the Clergy Medical and Hospitalization Trust and the RCAB Health Benefit Trust.

In addition, $12.7 million was paid during fiscal year 2006 out of parish reconfiguration funds to the Lay Employee Pension Plan to fund prior year's unfunded pension obligations associated with lay employees at Archdiocesan parishes.

Claims asserting a trust interest in certain real and personal property associated with suppressed parishes have been filed by several individuals. These matters are currently in the discovery phase of the legal process.

NOTE J - RESERVE FOR LOSSES AND INSURANCE SETTLEMENTS

Reserve for Losses

In October 2003, the Corporation Sole entered into a settlement agreement with approximately 550 individuals who had brought sexual misconduct claims. The settlement cost of these claims was approximately $85 million and was paid in December 2003. The settled claims were for acts of sexual misconduct that took place in prior years and as such Central Funds, as a part of the Corporation Sole, recorded this settlement obligation as of June 30, 2003.

The 2003 settlement was funded by the issuance of debt in December 2003 consisting of a $75 million loan funded by two banks and a $15 million subordinated note with the Archdiocese of Boston Clergy Retirement/Disability Plan (the "Clergy Retirement Plan"). In June 2004, the debt was retired with the proceeds from the sale of a significant portion of the administrative campus of the Archdiocese of Boston located in the Brighton section of Boston, Massachusetts.

NOTE J - RESERVE FOR LOSSES AND INSURANCE SETTLEMENTS - Continued

During the year ended June 30, 2005, the Corporation Sole recognized expense of $32.2 million related to clergy misconduct claims including legal costs. Included in this amount was the establishment of a reserve for the estimated future settlement of clergy misconduct claims and a retrospective premium insurance adjustment.

During the year ended June 30, 2006, the Corporation Sole entered into a settlement agreement with approximately 85 individuals who had brought sexual misconduct claims for approximately $6.4 million. This settlement was paid in May 2006.

After considering the insurance settlements reached in fiscal 2005, as more fully discussed in the following section of this note, the Corporation Sole is substantially self-insured for the risk of loss on clergy misconduct claims. The ultimate cost to defend or settle these claims is subject to uncertainty and the estimated liability is subject to change. The nature and the magnitude of the potential effects of these claims could have a material impact on Corporation Sole's financial condition and cash flows.

Insurance Settlements

During the year ended June 30, 2004, Central Funds, as part of the Corporation Sole, sold a significant portion of its administrative campus to Boston College recognizing a gain of approximately $87.2 million. To facilitate this sale, St. John's Seminary (the "Seminary") sold property it owned on the campus to the Corporation Sole. A portion of this property was then included in the sale to Boston College.

In connection with the purchase of property from the Seminary, approximately $8.9 million was paid in fiscal 2004 to repay the mortgage debt on this property. In addition, the Corporation Sole agreed to assign to the Seminary the first future insurance proceeds, if any, received in connection with past sexual misconduct settlements with respect to two insurance carriers, less any legal costs incurred by the Corporation Sole, subject to a cap of $30 million. These insurance claims were challenged by each of the insurance carriers and, as a result, the Corporation Sole initiated legal action in fiscal 2004 to collect on the coverage provided by the insurance policies. As the receipt of any insurance recovery was contingent upon the successful resolution of these legal actions, neither amount contingently payable to the Seminary nor any potential insurance recovery was recorded at June 30, 2004.

During the year ended June 30, 2005, the Corporation Sole reached settlements with both insurance carriers resulting in $26.4 million of recoveries for past claims. One insurance company also agreed to pay an additional $7.0 million for pending sexual misconduct claims and related legal defense costs. Of the recovery of past claims, $21.5 million was received in unrestricted cash and approximately $4.9 million was received as a credit for the retrospective premium. As a result of

NOTE J - RESERVE FOR LOSSES AND INSURANCE SETTLEMENTS - Continued

these insurance recoveries, an additional $25.2 million was payable to the Seminary representing the $26.4 million of insurance recovery less legal fees of approximately $1.2 million. Of the $25.2 million, all but approximately $4.9 million (the portion received as a premium credit in lieu of cash) was paid to the Seminary in 2005, which is presented in the accompanying statements of financial position as a note payable to related organization (see note F).

As none of the $7.0 million of insurance settlement reserved for pending claims had been expended as of June 30, 2005, this portion of the insurance recovery is classified as "cash limited as to use" in the accompanying statement of financial position. During the year ended June 30, 2006, $5.8 million of the $6.4 million in settlements and related legal defense costs of $88,075 were funded from this limited use cash balance. In addition, during the year ended June 30, 2005, the other insurer agreed to reimburse the Corporation Sole an additional $500,000 for the future settlement of claims. During the year ended June 30, 2006, approximately $270,000 was reimbursed by this insurer against the 2006 settlement and is included in the accompanying statement of activities as "insurance and other recoveries".

NOTE K - COMMITMENTS AND CONTINGENCIES

Construction

The Corporation Sole has commitments to fund construction and other contracted costs in the amount of approximately $11.0 million and $14.2 million at June 30, 2006 and 2005, respectively.

Other Legal Proceedings

The Corporation Sole is also involved in various other legal proceedings arising out of and incidental to its activities other than claims of sexual misconduct discussed in note J. In management's opinion, the ultimate liability which may arise from these proceedings is not expected to have a material effect on the Corporation Sole's net unrestricted assets and results of activities.

Option of Future Sale to Boston College

Included in the June 2004 campus sale to Boston College, the Corporation Sole has a five year put right to require Boston College to purchase the remaining administrative campus, representing an additional parcel of approximately 5.15 acres. If the put right is exercised on the fifth anniversary of the June 2004 transactions, the price is set at $20 million. If the option is exercised sooner, the $20 million selling price would be discounted from the fifth anniversary to the date the Corporation Sole's put notice is received by Boston College. The discount shall be based on the U.S. Treasury Note rate applicable for the shorter period of time. This agreement also includes leaseback options for the Corporation Sole of one year, with an option to extend for a term of up to five years.

NOTE K - COMMITMENTS AND CONTINGENCIES - Continued

In addition, the Corporation Sole granted Boston College a right of first refusal on any proposed sale of this parcel of real estate. The right of first refusal expires on the later of the twenty-first anniversary of the agreement, or the death of the last to survive of the freshman undergraduate class at Boston College commencing class in September of 2004.

NOTE L - RELATED PARTY TRANSACTIONS

Corporation Sole provides administrative, technology and clerical services to other related organizations. Service fees of $5.0 million and $4.2 million during the years ended June 30, 2006 and 2005, respectively, were charged for these services. The revenue from these service fees is included in "revenue for services provided" in the accompanying statement of activities.

The Corporation Sole participates with other Catholic organizations in lay employee health, life and disability benefit plans that are related organizations. Expenses incurred by Corporation Sole for the benefit of lay employees under these plans were $17.8 million and $12.5 million for the years ended June 30, 2006 and 2005, respectively.

NOTE M - SUBSEQUENT EVENTS

In connection with the June 2004 campus sale to Boston College, the Corporation Sole entered into an agreement to sell an additional parcel of 3.25 acres of real estate on its administrative campus to Boston College for $8.0 million. This sale was completed in July 2006 at which time a gain of approximately $7.8 million was recognized.

Subsequent to June 30, 2006, land and buildings associated with an additional six suppressed parishes were sold with estimated net proceeds of $5.4 million and an estimated realized gain of $3.3 million.

SUPPLEMENTAL INFORMATION

Report of Independent Certified Public Accountants
on Supplemental Information

His Eminence
Cardinal Sean Patrick O'Malley, O.F.M. Cap.
The Roman Catholic Archbishop of Boston

The basic financial statements of The Roman Catholic Archbishop of Boston, A Corporation Sole, ("the Corporation Sole") as of and for the years ended June 30, 2006 and 2005 and our opinion thereon are presented in the preceding section of this report. The supplemental information presented hereinafter is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

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March 12, 2007

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THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE
Combining Statements of Financial Position (in thousands)
June 30, 2006
(With summarized information for the fiscal year ended June 30, 2005)

	Parishes	Central Funds	Insurance Funds	Endowment Funds	Eliminations	2006 Total	2005 Total
ASSETS							
Cash and cash equivalents:							
Parish operations	$ 61,508	$ -	$ -	$ -	$ -	$ 61,508	$ 56,861
Revolving loan fund	81,337	-	-	-	-	81,337	56,171
Central operations	-	31,054	-	895	-	31,949	31,113
Insurance operations	-	-	11,956	-	-	11,956	10,531
Parish reconfiguration	-	5,544	-	-	-	5,544	2,550
Deposits with the Corporation Sole-Revolving Loan Fund	-	7,878	-	-	(7,878)	-	-
Total cash and cash equivalents	142,845	44,476	11,956	895	(7,878)	192,294	157,226
Cash limited as to use (note J)	-	1,069	-	-	-	1,069	7,000
Interest and dividends receivable	299	104	57	132	(3)	589	534
Prepaid expenses and other assets	202	218	1,916	-	(14)	2,322	3,378
Accounts receivable, net	1,476	84	1,919	-	(1,989)	1,490	2,112
Contributions receivable, net	496	1,602	-	-	-	2,098	1,821
Loans receivable, net (note C)	288	4,188	-	-	(30)	4,446	4,835
Land and buildings held for sale (note E)	-	3,029	-	-	-	3,029	7,814
Investments and assets held under split-interest agreements (note D)	37,411	9,304	5,224	12,943	-	64,882	61,098
Interest in net assets of Foundations (note G)	5,480	9,243	-	-	-	14,723	15,794
Land, buildings and equipment, net (note E)	312,429	15,330	-	-	-	327,759	305,945
Total assets	$ 500,926	$ 88,647	$ 21,072	$ 13,970	$ (9,914)	$ 614,701	$ 567,557
LIABILITIES AND NET ASSETS							
LIABILITIES:							
Accounts payable and accrued expenses	$ 10,595	$ 2,643	$ 912	$ -	$ (3,435)	$ 10,715	$ 10,745
Agency obligations	119	365		-	-	484	1,245
Reserve for losses (note J)	-	18,625	4,845	-	-	23,470	28,863
Due to related organizations	7,697	52	(24)	-	(7,642)	83	84
Deferred revenue and support	19,394	30	14	-	(14)	19,424	17,773
Accrued pension and other retirement costs (note H)	133,028	-	-	-	-	133,028	135,015
Annuity obligations	-	91	-	-	-	91	101
Other liabilities	3,984	-	-	-	-	3,984	5,651
Note payable - related organization (note F)	2,481	5,332	-	-	(2,481)	5,332	4,880
Other notes payable (note F)	1,407	27,409	-	-	-	28,816	33,457
Total liabilities	178,705	54,547	5,747	-	(13,572)	225,427	237,814
NET ASSETS:							
Unrestricted	310,307	15,386	15,325	-	3,658	344,676	289,136
Temporarily restricted (note G)	6,486	12,883	-	2,444	-	21,813	20,203
Permanently restricted (note G)	5,428	5,831	-	11,526	-	22,785	20,404
Total net assets	322,221	34,100	15,325	13,970	3,658	389,274	329,743
Total liabilities and net assets	$ 500,926	$ 88,647	$ 21,072	$ 13,970	$ (9,914)	$ 614,701	$ 567,557

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE
Combining Statements of Activities - Unrestricted (in thousands)
For the fiscal year ended June 30, 2006
(With summarized information for the fiscal year ended June 30, 2005)

	Parishes	Central Funds	Insurance Funds	Endowment Funds	Eliminations	2006 Total	2005 Total
REVENUES, GAINS AND OTHER SUPPORT:							
Collections	$ 107,714	$ 453	$ -	$ -	$ (408)	$ 107,759	$ 103,589
Collections restricted to assist clergy	-	-	-	-	-	-	-
Catholic Appeal	-	10,868	-	-	-	10,868	11,577
Contributions, bequests and grants	14,290	2,176	-	-	(172)	16,294	14,915
Parish fundraiser events	24,485	-	-	-	-	24,485	21,184
Tuition and fees	109,703	-	-	-	-	109,703	104,891
Investment income	6,318	2,428	998	-	(85)	9,659	5,708
Rental income	10,033	1,053	-	-	-	11,086	9,586
Cemetery operations	4,001	-	-	-	-	4,001	3,858
Revenue from services provided	13	8,478	38	-	(2,966)	5,563	6,315
Insurance fund revenues	-	-	6,249	-	(4,785)	1,464	1,667
Sacramental offerings	5,144	-	-	-	-	5,144	4,653
Shrines, candles and flowers	1,657	-	-	-	-	1,657	1,415
Other revenues	21,490	393	-	-	(2,969)	18,914	23,681
Future care receipts	74	-	-	-	-	74	106
Change in value of split-interest agreements	-	-	-	-	-	-	(7)
Revenue from and interest in change in net assets of Foundations	-	-	-	-	-	-	(91)
Net assets released through satisfaction of program restrictions (note G)	6,666	4,522	-	258	-	11,446	15,600
Total revenues, gains and other support	311,588	30,371	7,285	258	(11,385)	338,117	328,647
EXPENSES:							
Program:							
Pastoral	155,061	7,336	-	106	(6,938)	155,565	151,639
Education	135,341	2,355	-	91	(72)	137,715	130,961
Ministerial	175	4,020	-	45	(42)	4,198	4,555
Social	1,461	1,229	-	16	(2)	2,704	2,245
Central and Regional services	235	5,567	-	-	-	5,802	5,991
Community relations	37	874	-	-	-	911	947
Auxiliary services	71	1,658	-	-	-	1,729	1,448
Cemetery	4,521	-	-	-	(1)	4,520	4,544
Total program expenses	296,902	23,039	-	258	(7,055)	313,144	302,330
Management and general	1,354	11,241	4,767	-	(4,027)	13,335	12,272
Fundraising	7,206	1,651	-	-	-	8,857	7,266
Parish reconfiguration (note I)	-	3,411	-	-	(494)	2,917	2,694
Total expenses	305,462	39,342	4,767	258	(11,576)	338,253	324,562
Operating income (loss)	6,126	(8,971)	2,518	-	191	(136)	4,085
NONOPERATING INCOME (LOSS):							
Net realized and unrealized gain on investments and assets held under split-interest agreements	1,381	270	1,103	-	-	2,754	(174)
Gain on sale of administrative building	-	390	-	-	-	390	-
Gain on sale of other land and buildings (note I)	18,787	44,052	-	-	307	63,146	31,248
Insurance and other recoveries (note J)	-	296	-	-	-	296	33,792
Settlement and related expenses (note J)	-	(195)	(2,934)	-	-	(3,129)	(32,168)
Resolution of contingency (note J)	-	-	-	-	-	-	(25,235)
Parish reconfiguration - transfers and support to related organizations (note I)	3,536	(5,233)	-	-	-	(1,697)	(585)
Parish reconfiguration - funding of past pension service (note J)	-	(12,700)	-	-	-	(12,700)	-
Parish reconfiguration - funding of previously forgiven parish obligations to benefit trusts (note H and I)	13,783	(16,864)	-	-	-	(3,081)	-
Change in additional minimum pension plan liability (note H)	9,697	-	-	-	-	9,697	(5,825)
Nonoperating income	47,184	10,016	(1,831)	-	307	55,676	1,053
CHANGE IN NET ASSETS	53,310	1,045	687	-	498	55,540	5,138
Net assets at beginning of period, restated	257,013	14,325	14,638	-	3,160	289,136	283,998
Net asset transfer - Parish reconfiguration (note K)	(16)	16	-	-	-	-	-
Net assets at end of period	$ 310,307	$ 15,386	$ 15,325	$ -	$ 3,658	$ 344,676	$ 289,136

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE
Combining Statements of Activities - Temporarily Restricted (in thousands)
For the fiscal year ended June 30, 2006
(With summarized information for the fiscal year ended June 30, 2005)

	Parishes	Central Funds	Insurance Funds	Endowment Funds	Eliminations	2006 Total	2005 Total
REVENUES, GAINS AND OTHER SUPPORT:							
Collections	$ -	$ 1,563	$ -	$ -		$ 1,563	$ 1,623
Collections restricted to assist clergy	5,630	-	-	-		5,630	4,920
Catholic Appeal	-	910	-	-		910	-
Contributions, bequests and grants	-	3,267	-	-		3,267	3,590
Parish fundraiser events	-	-	-	-		-	-
Tuition and fees	-	-	-	-		-	-
Investment income	-	230	-	500		730	486
Rental income	-	-	-	-		-	-
Cemetery operations	-	-	-	-		-	-
Revenue from services provided	-	-	-	-		-	-
Insurance fund revenues	-	-	-	-		-	-
Sacramental offerings	-	-	-	-		-	-
Shrines, candles and flowers	-	-	-	-		-	-
Other revenues	-	56	-	-		56	88
Future care receipts	-	-	-	-		-	-
Change in value of split-interest agreements	-	(2)	-	-		(2)	(9)
Revenue from and interest in change in net assets of Foundations	(663)	1,159	-	-		496	(1,583)
Net assets released through satisfaction of program restrictions						-	
(note G)	(6,666)	(4,522)	-	(258)		(11,446)	(15,600)
Total revenues, gains and other support	(1,699)	2,661	-	242	-	1,204	(6,485)
Operating income (loss)	(1,699)	2,661	-	242	-	1,204	(6,485)
NONOPERATING INCOME (LOSS):							
Net realized and unrealized gain on investments and assets held							
under split-interest agreements	(166)	108	-	464		406	1,292
Gain on sale of administrative building	-	-	-	-		-	-
Gain on sale of other land and buildings	-	-	-	-		-	-
Insurance and other recoveries (note J)	-	-	-	-		-	-
Settlement and related expenses (note J)	-	-	-	-		-	-
Resolution of contingency (note J)	-	-	-	-		-	-
Parish reconfiguration - transfers and support to related							
organizations (note I)	-	-	-	-		-	-
Change in additional minimum pension plan liability (note H)	-	-	-	-		-	-
Nonoperating income	(166)	108	-	464	-	406	1,292
CHANGE IN NET ASSETS	(1,865)	2,769	-	706	-	1,610	(5,193)
Net assets at beginning of period	8,351	10,114	-	1,738		20,203	25,396
Net assets at end of period	$ 6,486	$ 12,883	$ -	$ 2,444	$ -	$ 21,813	$ 20,203

THE ROMAN CATHOLIC ARCHBISHOP OF BOSTON,
A CORPORATION SOLE
Combining Statements of Activities - Permanently Restricted (in thousands)
For the fiscal year ended June 30, 2006
(With summarized information for the fiscal year ended June 30, 2005)

	Parishes	Central Funds	Insurance Funds	Endowment Funds	Eliminations	2006 Total	2005 Total
REVENUES, GAINS AND OTHER SUPPORT:							
Collections	$ -	$ -	$ -	$ -		$ -	$ -
Collections restricted to assist clergy	-	-	-	-		-	-
Catholic Appeal	-	-	-	-		-	-
Contributions, bequests and grants	284	-	-	1,949		2,233	4,215
Parish fundraiser events	-	-	-	-		-	-
Tuition and fees	-	-	-	-		-	-
Investment income	-	-	-	-		-	-
Rental income	-	-	-	-		-	-
Cemetery operations	-	-	-	-		-	-
Revenue from services provided	-	-	-	-		-	-
Insurance fund revenues	-	-	-	-		-	-
Sacramental offerings	-	-	-	-		-	-
Shrines, candles and flowers	-	-	-	-		-	-
Other revenues	-	-	-	-		-	-
Future care receipts	8	-	-	-		8	5
Change in value of split-interest agreements	-	-	-	-		-	-
Revenue from and interest in change in net assets of Foundations	114	26	-	-		140	152
Net assets released through satisfaction of program restrictions				0			
(note G)	-	-	-	-		-	-
Total revenues, gains and other support	406	26	-	1,949	-	2,381	4,372
Operating income (loss)	406	26	-	1,949	-	2,381	4,372
	-	-		-		-	
NONOPERATING INCOME (LOSS):	-	-		-		-	
Net realized and unrealized gain on investments and assets held under split-interest agreements	-	-	-	-		-	-
Gain on sale of administrative building	-	-	-	-		-	-
Gain on sale of other land and buildings	-	-	-	-		-	-
Insurance and other recoveries (note J)	-	-	-	-		-	-
Settlement and related expenses (note J)	-	-	-	-		-	-
Resolution of contingency (note J)	-	-	-	-		-	-
Parish reconfiguration - transfers and support to related organizations (note I)	-	-	-	-		-	-
Change in additional minimum pension plan liability (note H)	-	-	-	-		-	-
Nonoperating income	-	-	-	-	-	-	-
CHANGE IN NET ASSETS	406	26	-	1,949	-	2,381	4,372
Net assets at beginning of period, restated	5,022	5,805	-	9,577		20,404	16,032
Net assets at end of period	$ 5,428	$ 5,831	$ -	$ 11,526	$ -	$ 22,785	$ 20,404