

**ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN**

FINANCIAL STATEMENTS

DECEMBER 31, 2013 AND 2012

**ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN**

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Independent Auditors' Report

To the Retirement Plan Committee
Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of the Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan, which comprise the statements of net assets available for benefits as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan as of December 31, 2013 and 2012, and changes in its net assets available for benefits for the year ended December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

Quincy, Massachusetts
July 24, 2014

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Investments, at Fair Value		
Money market and mutual funds	\$ 31,269,846	\$ 17,428,985
Receivables		
Employee contributions	203,279	123,713
Employer contributions	1,439,845	2,748,968
Notes receivable from participants	184,283	165,989
Total receivables	<u>1,827,407</u>	<u>3,038,670</u>
 Total assets	 33,097,253	 20,467,655
LIABILITIES		
Accounts Payable and Accrued Expenses	<u>-</u>	<u>-</u>
Net Assets Available for Benefits	<u>\$ 33,097,253</u>	<u>\$ 20,467,655</u>

The accompanying notes are an integral part of the financial statements

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2013

Additions to Net Assets Attributed to

Investment income:

Net appreciation in fair value of investments	\$ 1,973,374
Interest and dividend income	937,603
Net investment income	<u>2,910,977</u>

Interest income on notes receivable from participants	<u>8,936</u>
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Contributions:

Employee - pre-tax deferrals	5,825,157
Employee - roth deferrals	735,998
Employee - rollovers	1,786,917
Employer - core	1,462,745
Employer - matching	820,335
Total contributions	<u>10,631,152</u>

Net additions	<u>13,551,065</u>
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Deductions from Net Assets Attributed to

Benefits paid to participants	920,567
Administrative expenses	900
Total deductions	<u>921,467</u>

Net Increase in Net Assets	12,629,598
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Net Assets Available for Benefits - Beginning of Year	<u>20,467,655</u>
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Net Assets Available for Benefits - End of Year	<u><u>\$ 33,097,253</u></u>
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The accompanying notes are an integral part of the financial statements

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

Effective Date - The Plan became effective and employees began making contributions beginning on January 1, 2012, when a signed service contract was established between the Roman Catholic Archdiocese of Boston and the service provider, Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF).

General - The Plan is a defined contribution plan established to provide retirement benefits for employees of parishes, schools, cemeteries or other locations that are part of the Roman Catholic Archdiocese of Boston (the Sponsor) or any separately-incorporated Catholic entity listed in the Catholic Directory that has signed a participation agreement with the Sponsor. Lay employees and incardinated priests of the aforementioned entities that have reached the age of 21 are eligible to participate in the Plan, except for any individual who is a member of a religious order or who is an intern, fellow, student teacher, seminarian, substitute teacher or a student on a temporary work assignment as part of a cooperative education program.

Contributions - Although no participant contributions are required, each participant is permitted to make pre-tax and Roth contributions to the Plan through payroll deductions. Participants may contribute between 1% and 100% of compensation up to the maximum allowed by the Internal Revenue Code (the Code).

Participants may also contribute amounts representing distributions from other qualified retirement plans to the extent permitted by the Code.

Participating entities made a core contribution equal to 1% of each lay participant's eligible compensation for the year ended December 31, 2013. In addition, each lay participant received a matching contribution equal to 50% of their elective deferrals, up to 2% of eligible compensation. Diocesan priests assigned to locations within direct control of the Sponsor received a matching contribution equal to 50% of their elective deferrals, up to 4% of eligible compensation. The maximum combined employer contribution for the year ended December 31, 2013 was 2% of eligible compensation. Generally, eligibility for employer contributions requires that employees must complete one year of service (defined as one continuous 12-month period during which the employee worked 1,000 hours).

For 2014, employer matching and core contributions are to remain consistent with the formula for the year ended December 31, 2013.

All contributions are subject to certain limitations imposed by the Plan and the Code.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF PLAN (Continued)

Participant Accounts - Each participant's account is maintained separately within the Plan and is credited with their elective deferrals, employer contributions and earnings. Participants may elect to have contributions invested in any or all of the funds of the Plan, subject to certain limitations. Investment income and related management expenses are allocated to the participants' accounts regularly. Allocations of employer contributions, investment income and administrative expenses are based on a participant's compensation or account balances, as defined. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested accounts.

Investment Options - Participants may direct their contributions to a variety of money market and mutual funds held at TIAA-CREF. These funds include a variety of investment options with various objectives and degrees of financial risk.

Vesting - Participants are immediately vested in their deferral and rollover contributions, including the earnings on these amounts. Vesting in the remainder of their accounts is based on years of continuous service. Participants are fully vested in employer contributions upon the completion of five years of service and receive credit for qualifying service that occurred prior to January 1, 2012. Participants are also fully vested upon reaching their normal retirement date, death or total disability.

Notes Receivable from Participants - At the discretion of the Plan, participants may borrow from their accounts a minimum of \$1,000 up to a maximum equal to the lesser of \$50,000 or one-half of their vested account balance. Loan terms range from one to five years, except for loans to purchase a primary residence, which may be offered over a term up to 15 years. The loans are secured by the balance in the participant's account and bear interest at a rate which professional lenders would charge, as determined by the plan administrator. The notes currently bear interest at 4.25%. Participants may only have one loan outstanding at any given time. Generally, principal and interest are paid ratably through payroll deductions.

Payment of Benefits - Upon retirement, disability, death or termination of employment, the participant shall become entitled to the total value of his or her vested account, determined as of the valuation date. The Plan also provides for in-service withdrawals by qualified participants. Distributions will be paid by lump sum or in installments over a number of years, based upon election of the participant or the Plan, as defined in the Plan or the Code.

Upon financial hardship, a participant is entitled to the value of his or her contribution deferral accounts, but not the earnings thereon, determined as of the valuation date, which is payable immediately in a lump-sum distribution.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF PLAN (Continued)

Forfeitures - Forfeitures of employer core contributions are used to defray reasonable administrative expenses or to reduce the Sponsor's future core contributions.

There was \$8,008 of forfeitures for the year ended December 31, 2013. The Plan utilized forfeitures of \$4,013 for the year ended December 31, 2013, to reduce employer contributions. At December 31, 2013, forfeited nonvested accounts totaled approximately \$6,372. There were no forfeited nonvested accounts at December 31, 2012.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Plan uses the accrual basis of accounting for transactions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Investment Valuation and Income Recognition - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for a discussion of fair value measurements.

Purchases and sales of securities are recorded on the trade date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought and sold as well as held during the year.

Notes Receivable from Participants - Notes receivable from participants are measured at their unpaid principal balances plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded on the accrual basis. No allowance for credit losses has been recorded as of December 31, 2013 and 2012. If a participant ceases to make loan repayments and the plan administrator deems the participant loan to be in default, the participant loan balance is reduced and a benefit payment is recorded.

Payment of Benefits - Benefits to participants are recorded when paid.

Plan Expenses - The Sponsor charges each participating organization an administrative fee based on their employer contribution or number of participants and uses these funds to pay the majority of the costs of administering the Plan. The Plan may record certain costs for recordkeeping and participant loan administration.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risks and Uncertainties - The Plan provides for various investment options in money market and mutual funds. These investments are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain securities, it is at least reasonably possible that changes in the values of investments will occur in the near term and those changes could materially affect participant account balances and the amounts reported on the statements of net assets available for benefits.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through July 24, 2014, which represents the date the financial statements were available to be issued.

NOTE 3 - INVESTMENTS

Investments representing 5% or more of the Plan's net assets available for benefits at December 31, 2013 and 2012 are as follows:

	<u>2013</u> <u>Amounts</u>	<u>2012</u> <u>Amounts</u>
JP Morgan Smart Retirement 2010 Select	\$ 3,686,510	\$ 2,738,058
JP Morgan Smart Retirement 2015 Select	6,153,337	4,193,370
JP Morgan Smart Retirement 2020 Select	6,523,310	3,777,161
JP Morgan Smart Retirement 2025 Select	2,988,242	*
JP Morgan Smart Retirement 2030 Select	1,678,414	*

*Investment was not in excess of 5% of the Plan's net assets as of December 31, 2012.

NOTE 4 - FAIR VALUE MEASUREMENTS

Generally accepted accounting principles establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

Level 2 - Inputs to the valuation methodology include:

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

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

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

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When, as a practical expedient, an investment is measured at fair value on the basis of net asset value (NAV), its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at NAV at the measurement date. If there is uncertainty or the inability to redeem an investment at NAV in the near term subsequent to the measurement date, the investment is categorized as Level 3.

The following is a description of the valuation methodology used for assets measured at fair value:

Money Market and Mutual Funds - Money market and mutual funds are valued at the quoted NAV of shares held by the Plan at year end.

There have been no changes in the methodologies used at December 31, 2013 and 2012.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 4 - FAIR VALUE MEASUREMENTS (Continued)

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013 and 2012:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2013				
Money market funds	\$ 877,359	\$ -	\$ -	\$ 877,359
Mutual funds:				
Target date retirement	25,100,355	-	-	25,100,355
Fixed income	1,551,773	-	-	1,551,773
Equities	2,071,362	368,062	-	2,439,424
International	636,197	-	-	636,197
Blended	566,620	-	-	566,620
Emerging markets	98,118	-	-	98,118
Total Assets at Fair Value	<u>\$ 30,901,784</u>	<u>\$ 368,062</u>	<u>\$ -</u>	<u>\$ 31,269,846</u>
2012				
Money market funds	\$ 857,694	\$ -	\$ -	\$ 857,694
Mutual funds:				
Target date retirement	13,752,209	-	-	13,752,209
Fixed income	1,192,813	-	-	1,192,813
Equities	755,001	220,742	-	975,743
International	330,975	-	-	330,975
Blended	286,940	-	-	286,940
Emerging markets	32,611	-	-	32,611
Total Assets at Fair Value	<u>\$ 17,208,243</u>	<u>\$ 220,742</u>	<u>\$ -</u>	<u>\$ 17,428,985</u>

There were no transfers between levels of investments during the year ended December 31, 2013.

NOTE 5 - PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by affiliates of TIAA-CREF. TIAA-CREF is a trustee as defined by the Plan and, therefore, these transactions qualify as party-in-interest transactions. Administrative expenses are paid by the Sponsor out of an account maintained for such fees. No administrative expenses were paid directly by the Plan to TIAA-CREF or its affiliates for the year ended December 31, 2013. Notes receivable from participants are also party-in-interest transactions.

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON
401(K) RETIREMENT SAVINGS PLAN
NOTES TO FINANCIAL STATEMENTS

NOTE 6 - INCOME TAX STATUS

The Plan document is intended to be qualified under Section 401(a) of the Internal Revenue Code, and meet the requirements of Code Section 401(k) as a qualified cash or deferred arrangement. It is also intended that the Plan be exempt from taxation as provided under Code Section 501(a). The plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Code. Therefore, the plan administrator believes the Plan was qualified and the related trust was tax exempt as of the financial statement date.

NOTE 7 - PLAN TERMINATION

Although it has not expressed any intent to do so, the Sponsor has the right under the Plan to discontinue its contributions at any time and to terminate the Plan. In the event of Plan termination or discontinuance of matching contributions, participants will become fully vested in their accounts.