

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

FINANCIAL STATEMENTS

DECEMBER 31, 2012 AND 2011

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

CONTENTS

Independent Auditors' Report	1-2
Statements of Net Assets Available for Benefits - December 31, 2012 and 2011	3
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2012	4
Notes to Financial Statements	5-11



Accounting | Tax | Business Consulting

Independent Auditors' Report

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

We have audited the accompanying financial statements of Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan, which comprise the statements of net assets available for benefits as of December 31, 2012 and 2011, and the related statement of changes in net assets available for benefits for the year ended December 31, 2012, 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 Roman Catholic Archdiocese of Boston 401(k) Retirement Savings Plan as of December 31, 2012 and 2011, and changes in its net assets available for benefits for the year ended December 31, 2012 in accordance with accounting principles generally accepted in the United States of America.

Blum, Shapiro & Company, P.C.

Quincy, Massachusetts
July 17, 2013

ROMAN CATHOLIC ARCHDIOCESE OF BOSTON 401(K) RETIREMENT SAVINGS PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Investments, at Fair Value		
Money market and mutual funds	\$ 17,428,985	\$ 42,243
Receivables		
Employee contributions	123,713	-
Employer contributions	2,748,968	-
Notes receivable from participants	165,989	-
Total receivables	<u>3,038,670</u>	<u>-</u>
Total assets	20,467,655	42,243
LIABILITIES		
Accounts Payable and Accrued Expenses	<u>-</u>	<u>-</u>
Net Assets Available for Benefits	<u>\$ 20,467,655</u>	<u>\$ 42,243</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, 2012

Additions to Net Assets Attributed to

Investment income:

Interest and dividend income	\$ 374,701
Net appreciation in fair value of investments	699,671
Net investment income	<u>1,074,372</u>

Interest income on notes receivable from participants	<u>4,524</u>
---	--------------

Contributions:

Employee - pre-tax deferrals	4,771,463
Employee - Roth deferrals	595,412
Employee - rollovers	11,936,117
Employer - core	2,710,530
Employer - matching	38,438
Total contributions	<u>20,051,960</u>

Net additions	21,130,856
---------------	------------

Deductions from Net Assets Attributed to

Benefits paid to participants	<u>705,444</u>
-------------------------------	----------------

Net Increase in Net Assets	20,425,412
-----------------------------------	------------

Net Assets Available for Benefits - Beginning of Year	<u>42,243</u>
--	---------------

Net Assets Available for Benefits - End of Year	<u><u>\$ 20,467,655</u></u>
--	-----------------------------

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. However, three rollover contributions were received and credited to participant accounts prior to the effective date as a signed service contract had been 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 2% of each lay participant's eligible compensation for the year ending December 31, 2012. In addition, 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. 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).

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

NOTE 1 - DESCRIPTION OF PLAN (Continued)

Participating entities will make a core contribution equal to 1% of each lay participant's eligible compensation for the years ending December 31, 2013 and 2014. In addition, each participant will receive a matching contribution equal to 50% of their elective deferrals, up to 2% of eligible compensation. The maximum combined employer contribution for these years shall be 2% of eligible compensation. For years ending on December 31, 2015 and beyond, it is expected that each lay participant will receive a matching contribution equal to 50% of their elective deferrals, up to 4% of eligible compensation. However, employer contribution amounts will be reviewed annually after 2014 and may be increased, decreased or eliminated. In addition, eligibility for all employer contributions requires that employees work a minimum of 1,000 hours during the plan year.

Matching contributions for diocesan priests in future years are expected to remain consistent with the formula used for the year ended December 31, 2012.

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

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.

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.

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

There were no forfeited amounts for the year ending December 31, 2012. In addition, there were no forfeited nonvested accounts at December 31, 2012.

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.

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

NOTE 1 - DESCRIPTION OF PLAN (Continued)

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 fifteen 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.

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 5 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 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. Delinquent loans are treated as distributions based on the terms of the Plan document.

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

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 in the statement of net assets available for benefits.

Subsequent Events - In preparing these financial statements, management has evaluated subsequent events through July 17, 2013, which represents the date the financial statements were available to be issued.

NOTE 3 - 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 Trust 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 4 - INVESTMENTS

Investments representing 5% or more of the Plan's net assets available for benefits at December 31, 2012 and 2011 are as follows:

	2012 Amount	2011 Amount
JP Morgan Smart Retirement 2010 Select	\$ 2,738,058	\$ **
JP Morgan Smart Retirement 2015 Select	4,193,370	**
JP Morgan Smart Retirement 2020 Select	3,777,161	23,371
JP Morgan Smart Retirement 2030 Select	*	14,071
JP Morgan Smart Retirement Income Select	*	4,800

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

**Investment was not in excess of 5% of the Plan's net assets as of December 31, 2011.

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

NOTE 5 - 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.

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, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value 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 are valued at the quoted net asset value of shares held by the Plan at year end.

There have been no changes in the methodologies used at December 31, 2012 and 2011.

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

NOTE 5 - FAIR VALUE MEASUREMENTS (Continued)

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.

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2012 and 2011:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</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>
2011				
Mutual funds:				
Target date retirement	<u>\$ 42,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,243</u>
Total Assets at Fair Value	<u>\$ 42,243</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,243</u>

There were no transfers between levels of investments during the year ended December 31, 2012.

NOTE 6 - 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, 2012.

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

NOTE 7 - ADMINISTRATIVE 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.

NOTE 8 - 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.