

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2015 AND 2014**

# 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, 2015 and 2014	3
Statement of Changes in Net Assets Available for Benefits for the Year Ended December 31, 2015	4
Notes to Financial Statements	5-11

# BlumShapiro

Accounting | Tax | Business Consulting

## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited 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, 2015 and 2014, and the related statement of changes in net assets available for benefits for the year ended December 31, 2015, 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, 2015 and 2014, and changes in its net assets available for benefits for the year ended December 31, 2015 in accordance with accounting principles generally accepted in the United States of America.

*Blum, Shapiro & Company, P.C.*

Quincy, Massachusetts  
July 12, 2016

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

**STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS  
DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<b>Investments, at Fair Value</b>		
Money market and mutual funds	\$ 54,180,747	\$ 43,016,258
<b>Receivables</b>		
Employee contributions	306,351	190,120
Employer contributions	66,184	1,465,814
Notes receivable from participants	359,623	221,817
Total receivables	<u>732,158</u>	<u>1,877,751</u>
Total assets	54,912,905	44,894,009
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	<u>-</u>	<u>-</u>
Net Assets Available for Benefits	<u>\$ 54,912,905</u>	<u>\$ 44,894,009</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, 2015**

---

**Additions to Net Assets Attributed to**

Investment income:

Net depreciation in fair value of investments	\$ (2,389,209)
Interest and dividend income	1,612,411
Net investment loss	<u>(776,798)</u>

Interest income on notes receivable from participants	<u>11,254</u>
---	---------------

Contributions:

Employee - pre-tax deferrals	8,239,888
Employee - Roth deferrals	1,176,818
Employee - rollovers	1,694,612
Employer	1,911,907
Total contributions	<u>13,023,225</u>

Net additions	<u>12,257,681</u>
---------------	-------------------

**Deductions from Net Assets Attributed to**

Benefits paid to participants	2,236,685
Administrative expenses	2,100
Total deductions	<u>2,238,785</u>

<b>Net Increase in Net Assets</b>	10,018,896
-----------------------------------	------------

<b>Net Assets Available for Benefits - Beginning of Year</b>	<u>44,894,009</u>
--	-------------------

<b>Net Assets Available for Benefits - End of Year</b>	<u><u>\$ 54,912,905</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, 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).

#### **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 who 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**

Participants may contribute up to 100% of compensation, as defined in the Plan, up to the maximum allowed by the Internal Revenue Code (the Code). Participants who have attained age 50 before the end of the plan year are eligible to make catch-up contributions. Participants may also contribute amounts representing distributions from other qualified retirement plans (rollovers). During 2015, the Plan implemented an automatic enrollment provision whereby all benefit-eligible employees hired by a participating organization on or after September 1, 2015 are automatically enrolled in the Plan unless they affirmatively elect otherwise. Automatically enrolled participants have their deferral rate set at 3% of eligible compensation, and their contributions are invested in the default investment fund until changed by the participant. If the participant has already set up custom investment allocations, those allocations are applied to the automatic deferrals.

During 2015, participating organizations made matching contributions equal to 50% of the elective deferrals of up to 4% of eligible compensation for lay employees and priests. The maximum combined employer contribution for the year ended December 31, 2015 was 2% of eligible compensation. Eligibility for employer contributions requires that lay employees must complete one year of service (defined as one continuous 12-month period during which the employee worked 1,000 hours).

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

---

### **Participant Accounts**

Each participant's account is maintained separately within the Plan and is credited with his or her 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 Option**

Participants may direct their contributions to a variety of money market and mutual funds held at TIAA. 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. Effective January 1, 2016, all contributions are immediately vested. Participants are also fully vested upon 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 that professional lenders would charge, as determined by the plan administrator. The notes currently bear interest at rates ranging from 4.25% to 4.50%. 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

---

### Forfeitures

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

There was \$364,278 of forfeited employer contributions during the year ended December 31, 2015. The Plan utilized forfeitures of \$124,281 during the year ended December 31, 2015 to primarily pay administrative expenses to the Plan's recordkeeper. At December 31, 2015, forfeited nonvested accounts totaled \$264,648.

## 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 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. 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 eligible employee compensation 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

---

### 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 12, 2016, which represents the date the financial statements were available to be issued. On January 1, 2016, the Plan was amended to modify the employer match contribution provisions to meet the safe harbor requirements of the Code.

### NOTE 3 - INVESTMENTS

Investments representing 5% or more of the Plan's net assets available for benefits at December 31, 2015 and 2014 were as follows:

	<u>2015</u>		<u>2014</u>
JP Morgan Smart Retirement 2015 Select	\$ 8,723,157	\$	7,793,110
JP Morgan Smart Retirement 2020 Select	10,560,184		8,818,891
JP Morgan Smart Retirement 2025 Select	7,358,167		5,030,132
JP Morgan Smart Retirement 2030 Select	3,565,693		2,602,912
JP Morgan Smart Retirement Income Select	7,384,676		6,385,980

### NOTE 4 - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America 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

---

### 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 price of shares held by the Plan at year end.

There have been no changes in the methodologies used at December 31, 2015 and 2014.

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

The following tables set forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2015 and 2014:

	<b>2015</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 1,455,269	\$ -	\$ -	\$ 1,455,269
Mutual funds:				
Target date retirement	43,954,784	-	-	43,954,784
Equities	3,796,146	571,031	-	4,367,177
Fixed income	1,946,998	-	-	1,946,998
International	1,147,200	-	-	1,147,200
Blended	1,093,636	-	-	1,093,636
Emerging markets	215,683	-	-	215,683
<b>Total Assets at Fair Value</b>	<b>\$ <u>53,609,716</u></b>	<b>\$ <u>571,031</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>54,180,747</u></b>

	<b>2014</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 938,830	\$ -	\$ -	\$ 938,830
Mutual funds:				
Target date retirement	34,950,916	-	-	34,950,916
Equities	3,111,602	512,826	-	3,624,428
Fixed income	1,826,750	-	-	1,826,750
International	814,186	-	-	814,186
Blended	714,564	-	-	714,564
Emerging markets	146,584	-	-	146,584
<b>Total Assets at Fair Value</b>	<b>\$ <u>42,503,432</u></b>	<b>\$ <u>512,826</u></b>	<b>\$ <u>-</u></b>	<b>\$ <u>43,016,258</u></b>

There were no transfers between levels of investments during the year ended December 31, 2015.

### NOTE 5 - PARTY-IN-INTEREST TRANSACTIONS

Certain plan investments are shares of mutual funds managed by affiliates of TIAA. TIAA 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. 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.

In January 2016, the Plan filed with the Internal Revenue Service for a determination letter. The Plan received a favorable determination letter in June 2016.

### **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.