

ROMAN CATHOLIC BISHOP OF WORCESTER

(A CORPORATION SOLE)

COMBINED FINANCIAL STATEMENTS

AUGUST 31, 2009 AND 2008

O'CONNOR, MALONEY & COMPANY, P.C.

Certified Public Accountants

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

October 30, 2009

Most Reverend Robert J. McManus
Roman Catholic Bishop of Worcester

We have audited the accompanying combined statement of financial position of the Roman Catholic Bishop of Worcester (a Corporation Sole) (the "Diocese") as of August 31, 2009 and 2008, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Diocesan 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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 combined financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Roman Catholic Bishop of Worcester (a Corporation Sole) as of August 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor, Maloney and Company

Certified Public Accountants

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
COMBINED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2009 AND 2008

ASSETS

	2009	2008
Cash and Cash Equivalents	8,750,531	11,968,042
Investments	59,606,345	61,831,212
Accounts Receivable, Net	6,053,805	5,696,181
Loans Receivable, Net	13,269,886	14,256,397
Other Receivables	354,201	340,562
Other Assets	373,880	248,261
Land, Buildings and Equipment, Net	11,630,685	11,324,212
Bond Issue Costs, Net	147,753	154,131
Total Assets	<u>100,187,086</u>	<u>105,818,998</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	10,894,213	11,664,455
Deferred Revenue	1,731,129	1,856,824
Diocesan Expansion Fund Deposits Payable	46,317,405	44,865,146
Deferred Tuition and Fees	4,853,518	5,791,841
Annuities Payable	3,795,622	3,951,434
Funds Held For Others	1,488,268	1,886,490
Other Liabilities	97,963	72,200
Bonds Payable	2,840,000	2,945,000
Total	<u>72,018,118</u>	<u>73,033,390</u>

Net Assets

Unrestricted	(5,259,030)	(5,109,025)
Unrestricted - Designated:		
Diocesan Expansion Fund	6,889,701	6,163,356
Other	159,693	1,827,160
Total Unrestricted	<u>1,790,364</u>	<u>2,881,491</u>
Temporarily Restricted	24,922,356	28,447,869
Permanently Restricted	1,456,248	1,456,248
Total	<u>28,168,968</u>	<u>32,785,608</u>
Total Liabilities and Net Assets	<u>100,187,086</u>	<u>105,818,998</u>

See accompanying notes to financial statements.

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008**

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions:								
Partners in Charity		4,822,180		4,822,180		4,893,101		4,893,101
Bequests	72,215			72,215	200,088			200,088
Tuition and Fees	15,593,809			15,593,809	15,946,547			15,946,547
Cemetery Fees	1,139,624	59,648		1,199,272	1,102,987	59,974		1,162,961
Central Administration:								
Cathedraticum	2,221,829			2,221,829	2,342,855			2,342,855
Priest Retirement Assessments	684,608			684,608	1,257,332			1,257,332
Insurance Program, Net	737,622			737,622	811,098			811,098
Investments:								
Investment Income	2,426,344	679,663		3,106,007	2,253,850	1,504,953		3,758,803
Gain (Loss) on Investments	(144,730)	(51,584)		(196,314)	(39,788)	(18,393)		(58,181)
Unrealized Gain(Loss) on Investments	(1,056,759)	(2,525,064)		(3,581,823)	(1,187,552)	(1,994,943)		(3,182,495)
Gain (Loss) on Property Sales				-	140,491			140,491
Other Revenues, Expenses	(253,253)	189,691		(63,562)	(295,610)	279,507		(16,103)
Use of Funds as Designated								
Restricted Funds Released		(6,700,047)		(6,700,047)		(6,572,195)		(6,572,195)
Support of Ministries and Education	4,893,101			4,893,101	4,801,840			4,801,840
Cemetery Improvements	269,612			269,612	187,652			187,652
Capital Campaign Commitments	687,940			687,940	950,682			950,682
Donor Designated Support of Ministries	310,006			310,006	70,978			70,978
Endowment Commitments	539,388			539,388	556,602			556,602
Total	28,121,356	(3,525,513)	-	24,595,843	29,100,052	(1,847,996)	-	27,252,056

(Continued . . .)

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

	2009				2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses								
Programs:								
Social Service Programs	1,247,924			1,247,924	1,384,971			1,384,971
Priestly Care	3,056,340			3,056,340	2,938,235			2,938,235
Religious Development	919,548			919,548	601,713			601,713
Education	15,748,553			15,748,553	16,408,364			16,408,364
Diocesan Cemeteries	1,373,035			1,373,035	1,408,414			1,408,414
Communications	210,915			210,915	182,465			182,465
Diocesan Expansion Fund:								
Interest on Deposits	2,790,710			2,790,710	2,826,100			2,826,100
General Administration	1,864,711			1,864,711	1,887,857			1,887,857
Provision for Doubtful Accounts	400,000			400,000	200,000			200,000
Use of Designated Funds	63,413			63,413	299,341			299,341
Capital Campaign Commitments	687,940			687,940	950,682			950,682
Use of Restricted Funds as Designated	310,006			310,006	70,978			70,978
Annuity and Endowment Expenses	539,388			539,388	556,602			556,602
Total	<u>29,212,483</u>	<u>-</u>	<u>-</u>	<u>29,212,483</u>	<u>29,715,722</u>	<u>-</u>	<u>-</u>	<u>29,715,722</u>
Decrease in Net Assets	<u>(1,091,127)</u>	<u>(3,525,513)</u>	<u>-</u>	<u>(4,616,640)</u>	<u>(615,670)</u>	<u>(1,847,996)</u>	<u>-</u>	<u>(2,463,666)</u>
Net Assets, Beginning	<u>2,881,491</u>	<u>28,447,869</u>	<u>1,456,248</u>	<u>32,785,608</u>	<u>3,497,161</u>	<u>30,295,865</u>	<u>1,456,248</u>	<u>35,249,274</u>
Net Assets, Ending	<u><u>1,790,364</u></u>	<u><u>24,922,356</u></u>	<u><u>1,456,248</u></u>	<u><u>28,168,968</u></u>	<u><u>2,881,491</u></u>	<u><u>28,447,869</u></u>	<u><u>1,456,248</u></u>	<u><u>32,785,608</u></u>

See accompanying notes to financial statements.

(Concluded)

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2009 AND 2008

INCREASE (DECREASE) IN CASH

	2009	2008
Cash Flows from Operating Activities		
Decrease in Net Assets	<u>(4,616,640)</u>	<u>(2,463,666)</u>
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	475,150	363,539
Amortization of Bond Issue Costs	6,378	6,378
Investment Losses	3,778,137	3,240,676
Increase in Accounts Receivable, Net	(357,624)	(223,987)
Decrease in Loans Receivable, Net	986,511	979,032
Increase in Other Receivables	(13,639)	(31,066)
(Increase) Decrease in Other Assets	(125,619)	125,349
Decrease in Accounts Payable and Accrued Expenses	(770,242)	(1,636,685)
Decrease in Deferred Revenue	(125,695)	(236,134)
Increase in Diocesan Expansion Fund Deposits Payable	1,452,259	2,787,951
Decrease in Annuities Payable	(155,812)	(157,276)
Decrease in Deferred Tuition and Fees	(938,323)	(470,545)
Increase (Decrease) in Funds Held For Others	(398,222)	250,052
Increase in Other Liabilities	<u>25,763</u>	<u>72,200</u>
Total Adjustments	<u>3,839,022</u>	<u>5,069,484</u>
Net Cash Provided by (Used in) Operating Activities	<u>(777,618)</u>	<u>2,605,818</u>
Cash Flows from Investing Activities		
Increases in Land, Buildings and Equipment	(801,907)	(1,756,421)
Decreases in Land, Buildings and Equipment	20,284	994,790
Net Purchase of Investments	<u>(1,553,270)</u>	<u>(416,124)</u>
Net Cash Used in Investing Activities	<u>(2,334,893)</u>	<u>(1,177,755)</u>
Cash Flows from Financing Activities		
Repayments of Bonds Payable	<u>(105,000)</u>	<u>(105,000)</u>
Net Increase (Decrease) in Cash and Equivalents	<u>(3,217,511)</u>	<u>1,323,063</u>
Cash and Equivalents, Beginning	<u>11,968,042</u>	<u>10,644,979</u>
Cash and Equivalents, Ending	<u>8,750,531</u>	<u>11,968,042</u>

See accompanying notes to financial statements.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008

Note 1. Organization

The combined financial statements have been prepared on the accrual basis of accounting and include all administrative and program offices and departments of the Diocese which are either located at the Diocesan Central Administration or come under its direct jurisdiction. The combined financial statements also include the accounts of The Diocesan Expansion Fund, Central Catholic Schools, The Catholic Free Press and Diocesan Cemeteries.

The accompanying financial statements exclude Diocesan parishes, parish cemeteries and schools, and Catholic Charities. These activities may or may not be separately incorporated under civil law. However, each is an operating entity distinct from the Diocesan Central Administration, maintains separate accounts, and carries on its own services and programs.

The Central Catholic Schools include St. Peter-Marian Junior/Senior High School, Holy Name Junior/Senior High School, St. Bernard's High School and St. Peter Elementary School. Total student enrollment was 2,271 in 2009 and 2,276 in 2008.

Note 2. Summary of Significant Accounting Policies

The Diocese presents its financial statements according to the provisions of Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations," ("SFAS No. 117"). SFAS No. 117 requires classification of net assets and revenue, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of three classes of net assets - permanently restricted, temporarily restricted and unrestricted be displayed in a statement of activities.

Contributions are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. 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. Net assets are typically restricted for various operating activities of the Diocese, such as the promotion of educational and evangelical activities.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008

Note 2. Summary of Significant Accounting Policies (cont.)

Permanently restricted net assets are subject to donor imposed stipulations that they be maintained by the Diocese in perpetuity. Generally all or part of the income can be used for specific purposes.

Unconditional promises to give with due dates scheduled after the balance sheet date are shown as increases in temporarily restricted net assets and are reclassified to unrestricted net assets when the related purpose or time restrictions are met. The Diocese's policy with respect to unconditional promises not received by the scheduled due date is to imply a new time restriction of one additional year. Promises to give, subject to donor-imposed stipulations that the corpus be maintained permanently, are recognized as increase in permanently restricted net assets. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

The Diocese considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Investments are stated at fair value based on quotations from a national securities exchange or at redemption value for non-traded securities. The Diocese has adopted Statement of Financial Accounting Standards 157, Fair Value Measurements (FAS 157). FAS 157 creates a single definition of fair value, establishes a framework for measuring fair value and expands disclosure requirements about assets and liabilities measured at fair value. FAS 157 requires fair value to be determined as 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. Investments are based on quoted market prices in active markets for identical assets and liabilities. FAS 157 has an additional distinct level of investment measurement, which the Diocese does not currently hold as investments.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008

Note 2. Summary of Significant Accounting Policies (cont.)

Land, Buildings and Equipment are stated at cost and depreciated on the straight-line method over the estimated useful lives of the assets. Land, Buildings and Equipment consist of:

	2009	2008
Land, Buildings and Improvements	22,613,108	21,811,201
Equipment	1,150,431	1,150,431
Furniture and Fixtures	87,645	87,645
	<u>23,851,183</u>	<u>23,049,277</u>
Less: Accumulated Depreciation	<u>12,220,499</u>	<u>11,725,065</u>
Net	<u>11,630,685</u>	<u>11,324,212</u>

Bond Issue Costs are stated net of accumulated amortization of \$43,582 and \$37,204 at August 31, 2009 and 2008, respectively. Amortization is calculated on the straight-line method over thirty years.

The Diocesan Central Administration does not have a defined pension program covering the priests. It does provide an annual subsidy based on available current funding (Note 9). The Diocesan Central Administration provides a pension plan which covers all eligible lay people employed directly by the Diocese (Note 10).

Twenty percent (20%) of the proceeds from the sale of crypts and lot sales is set aside for perpetual care. The perpetual care fund is treated as a sacred trust, held in the name of the Roman Catholic Bishop of Worcester (a Corporation Sole), the interest only to be used for the upkeep of the lots and crypts.

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Fundraising expenses were \$276,969 in 2009 and \$307,493 in 2008.

Advertising Costs are expensed as incurred and totaled \$77,929 in 2009 and \$58,319 in 2008.

The Diocese is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is required. Donors may deduct contributions made to the Diocese within the Internal Revenue Code regulations. There are no unrecognized tax benefits and income tax returns remain subject to examination by major tax jurisdictions for the standard three-year statute of limitations.

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

Note 2. Summary of Significant Accounting Policies (cont.)

Certain reclassifications have been made to the 2008 financial statements to conform them to the 2009 presentation.

Note 3. Accounts and Loans Receivables

Accounts Receivable are stated net of an allowance for doubtful parish assessments of \$1,562,189 and \$1,328,231 at August 31, 2009 and 2008, respectively. Loans Receivable are stated net of an allowance for doubtful loans of \$919,940 and \$719,940 at August 31, 2009 and 2008, respectively.

Note 4. Investments

Investments are recorded at market value determined from quoted market prices. Unrealized gains and losses are allocated to unrestricted assets. The Diocese adopted the provisions of SFAS No. 157, "Fair Value" Measurements, effective July 1, 2008. Under SFAS No. 157, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Diocese uses various valuation approaches. SFAS No. 157 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and maximizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Diocese. Unobservable inputs reflect the Diocese's assumption about the inputs market participants would use in pricing the asset or liability developed on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Diocese has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in the markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008

Note 4. Investments (cont.)

The following is a summary of cost and fair values of investments at August 31:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Level 1				
Money Market Funds	3,129,724	3,129,724	551,457	551,457
Government Debt Securities	5,056,038	4,905,940	7,172,477	7,166,486
Domestic Corporate Stock	15,368,317	16,294,506	18,724,958	19,904,809
Foreign Corporate Stock	3,771,345	5,757,604	4,094,041	7,884,001
	<u>27,325,424</u>	<u>30,087,774</u>	<u>30,542,933</u>	<u>35,506,753</u>
Level 2				
Corporate Debt Securities	28,378,649	28,486,069	25,994,820	25,281,960
Preferred Stocks	1,250,000	1,032,502	1,250,000	1,042,499
	<u>29,628,649</u>	<u>29,518,571</u>	<u>27,244,820</u>	<u>26,324,459</u>
Total	<u><u>57,054,073</u></u>	<u><u>59,606,345</u></u>	<u><u>57,787,753</u></u>	<u><u>61,831,212</u></u>

The Diocese's investments, recorded at fair market value, have been categorized based upon a fair value hierarchy in accordance with SFAS No. 157.

The investments had an unrealized loss of \$ 3,581,823 and \$3,182,495 for the years ended August 31, 2009 and 2008, respectively.

The Diocese invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Note 5. Central Insurance Program

A Central Insurance Program is operated by the Diocesan Central Administration in an effort to secure uniformity and adequacy of coverage at minimum cost for all the institutions and parishes of the Diocese. This coverage extends to all insurance risks. Fire and extended coverage and general liability are written on a self-insured basis on the first \$50,000 of each loss with an aggregate of \$450,000; losses in excess of this amount are covered by the insurance carrier. Claim expense paid by the Diocesan Central Administration under the terms of coverage amounted to \$410,598 in 2009 and \$236,148 in 2008.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008

Note 6. Diocesan Expansion Fund

The Diocesan Central Administration operates the Diocesan Expansion Fund (DEF) as an independent, self-supporting, revolving fund. In connection with Diocesan policy, a Board of Governors is charged with the responsibility for recommending all loans, all interest rates and generally monitoring all of the activities of the fund.

As with most large dioceses, the Diocese has in operation a central financing program. At August 31, 2009, interest at 4.5% is paid on savings accounts, and interest at 7% is charged on loans. The interest differential is designed to enable the Diocese to cover administrative costs and losses on collection. Outstanding loans to parishes and institutions amounted to \$14,189,826 and \$14,976,337 at August 31, 2009 and 2008, respectively.

Loans totaling \$3,880,449 and \$3,333,528 as of August 31, 2009 and 2008, respectively, were accounted for on a non-accrual of interest basis. The difference between interest income that would have been recorded under the original terms of the loans and actual interest income recorded for these loans for the years ended August 31, 2009 and 2008 was approximately \$93,025 and \$81,501, respectively.

The following is a summary of DEF assets and liabilities, including interfund receivables and deposits payable, at August 31:

	2009	2008
Cash and Cash Equivalents	2,201,944	4,068,572
Investments	25,372,497	18,788,432
Receivables, Net	<u>36,209,083</u>	<u>39,018,279</u>
Total Assets	63,783,524	61,875,283
Deposits Payable	<u>(56,893,823)</u>	<u>(55,711,927)</u>
Fund Balance/Net Assets	<u><u>6,889,701</u></u>	<u><u>6,163,356</u></u>

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

Note 7. Annuities Payable

The Diocese has entered into several charitable gift annuity agreements with various contributors. Cumulative amounts received under these agreements totaled \$6,353,513 through August 31, 2009. The agreements call for the Diocese to make annuity payments over the lives of the donors or their designated beneficiaries at rates ranging from 7% to 11%. Future annual amounts the Diocese was committed to pay totaled \$3,795,622 and \$3,951,434 at August 31, 2009 and 2008, respectively.

The present value of the total future payments anticipated to be made under these agreements is reported as Annuities Payable in the accompanying statements of financial position. The present value has been determined using life expectancy and discount rates (ranging from 5.6% to 7.2%) as issued by the Internal Revenue Service. The change in value of this liability is \$155,812 in 2009 and \$157,276 in 2008 and is reported as revenue in the accompanying Statements of Activities.

Note 8. Bonds Payable

Bonds Payable consist of variable rate demand revenue bond debentures issued through the Massachusetts Development Finance Agency dated October 1, 2002 that mature as follows:

Due October 1	Amount
2010	110,000
2011	110,000
2012	110,000
2013	110,000
2014	110,000
Thereafter	<u>2,290,000</u>
Total	<u><u>2,840,000</u></u>

The bonds bear interest at a rate, as determined by the Remarketing Agent that would permit the sale of the bonds at par value. The rate shall not exceed 12% except under limited circumstances as described in the bond agreement. The Diocese has the option to convert the bonds to a fixed rate or redeem the bonds prior to maturity. At August 31, 2009, the rate was approximately .33%.

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008**

Note 8. Bonds Payable (cont.)

Bond Sinking Fund requirements for each of the next five years are as follows:

Year Ending	Principal on Sinking Fund Installments
2010	105,833
2011	110,000
2012	110,000
2013	110,000
2014	110,000
Total	545,833

In addition to the above principal sinking fund requirements, the Diocese must make current monthly interest installments in amounts to be determined based on rates in effect during those periods.

The Diocese's interest expense was \$97,022 in 2009 and \$100,069 in 2008.

Note 9. Priest Retirement Programs

The Diocese provides a subsidy for retired priests who are incardinated in the Diocese and had been in active ministry immediately prior to their retirement. The amount of this subsidy is set annually based on the current available funding. Funding is derived primarily from parish and agency assessments and Partners in Charity contributions.

The Partners in Charity campaign allocated \$920,000 in fiscal year 2009 and \$921,785 in 2008. Each priest received a stipend of \$1,722 per month during 2009 and \$1,697 in 2008. The total annual payment for these years was \$1,320,862 in fiscal year 2009 and \$1,313,820 in fiscal year 2008.

Retirement is mandatory at age 75 for all diocesan priests in active ministry for the Diocese.

The Diocese also provides certain health care benefits on a discretionary basis for retired priests. The cost of retiree health care benefits is paid by the Diocese.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2009 AND 2008

Note 9. Priest Retirement Programs (cont.)

Long-term custodial care expenses are funded in part by the Diocese and from a long-term care insurance policy. This policy pays a maximum of \$4,000 per month for 36 months after the first 60 days in residence in a skilled nursing facility. The first 60 days are paid by the Diocese. This insurance is funded primarily through assessments on the parish, department and agency where each priest is assigned in active ministry.

Note 10. Lay Employees' Pension Plan

The Diocese provides a pension plan which covers all eligible lay people employed by the Diocesan Central Administration, Diocesan Cemeteries, The Catholic Free Press and the Central Catholic Schools. The plan includes a tax-sheltered annuity program paid entirely by the employee and a group annuity plan paid entirely by the Diocese. The tax-sheltered annuity provision of the plan provides that eligible employees may agree to a reduction in their earnings in an amount not less than 3%, in consideration for which the Diocese agrees to purchase individual annuities which are owned by the employee. Diocesan contributions to the plan totaled \$482,404 in 2009 and \$491,141 in 2008.

Note 11. Commitments and Contingencies

Due to the nature of its operations, The Roman Catholic Bishop of Worcester, (A Corporation Sole), may be exposed to various liability claims for which it carries insurance. Management is not aware of any uninsured claims or other matters that would have a material effect on the financial statements or its liability coverage.

In the ordinary course of operations, the Diocese has, at various times, cash deposits with various local banks that are in excess of federally insured limits. The Diocese has not experienced any losses on its cash and cash equivalents.

Diocesan parishes, whose finances are not included in the accompanying financial statements, are an integral part of the Corporation Sole. Extraordinary financial obligations that are beyond an individual parish's ability to pay could occur and they could ultimately become the obligation of the Diocese.

At August 31, 2009, the Diocesan Expansion Fund had total open loan commitments outstanding of \$3,485,547.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
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Note 12. Date Through Which Subsequent Events Have Been Evaluated

The Diocese has evaluated all material subsequent events from the end of the fiscal year through October 30, 2009, the date the financial statements were available to be issued.