

ROMAN CATHOLIC BISHOP OF WORCESTER

(A CORPORATION SOLE)

FINANCIAL STATEMENTS

AUGUST 31, 2016 AND 2015

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

Certified Public Accountants

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

December 29, 2016

Most Reverend Robert J. McManus
Roman Catholic Bishop of Worcester

We have audited the accompanying financial statements of the Roman Catholic Bishop of Worcester (a Corporation Sole) (the "Diocese"), which comprise the statement of financial position as of August 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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.

Auditor's 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 auditor's 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 auditor considers internal control relevant to the entity'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 financial position of the Roman Catholic Bishop of Worcester (a Corporation Sole) as of August 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance 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)
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2016 AND 2015

ASSETS

	2016	2015
Cash and Cash Equivalents	12,924,121	11,316,487
Investments	63,388,952	62,773,362
Accounts Receivable, Net	4,734,147	5,750,516
Loans Receivable, Net	8,699,107	9,835,794
Other Receivables	712,766	177,957
Other Assets	239,255	266,232
Land, Buildings and Equipment, Net	<u>8,631,872</u>	<u>8,863,112</u>
Total Assets	<u><u>99,330,220</u></u>	<u><u>98,983,460</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	17,019,593	16,094,748
Deferred Revenue	1,719,745	2,030,181
Diocesan Expansion Fund Deposits Payable	40,051,501	40,603,805
Deferred Tuition and Fees	3,396,016	3,406,365
Annuities Payable	2,322,595	2,436,751
Funds Held For Others	<u>1,317,974</u>	<u>1,349,516</u>
Total	<u><u>65,827,424</u></u>	<u><u>65,921,366</u></u>

Net Assets

Unrestricted	2,161,915	1,951,542
Temporarily Restricted	29,884,633	29,654,304
Permanently Restricted	<u>1,456,248</u>	<u>1,456,248</u>
Total	<u><u>33,502,796</u></u>	<u><u>33,062,094</u></u>

Total Liabilities and Net Assets

<u><u>99,330,220</u></u>	<u><u>98,983,460</u></u>
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See accompanying notes to financial statements.

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions:								
Partners in Charity		5,044,850		5,044,850		4,881,860		4,881,860
Bequests	472,544	39,835		512,379				
Tuition and Fees	12,066,940			12,066,940	12,054,154			12,054,154
Cemetery Fees	902,838	51,026		953,864	1,200,539	57,050		1,257,589
Central Administration:								
Cathedralicum	2,202,919			2,202,919	2,234,454			2,234,454
Priest Retirement Assessments	687,803			687,803	700,932			700,932
Celebrate Priesthood	280,000			280,000				
Insurance Program, Net	680,868			680,868	746,139			746,139
Investments:								
Investment Income	1,560,399	306,195		1,866,594	1,736,345	422,032		2,158,377
Loss on Investments	(227,823)	(86,060)		(313,883)	(368,517)	(120,951)		(489,468)
Unrealized Gain (Loss) on Investments	572,810	1,215,097		1,787,907	(840,001)	(829,728)		(1,669,729)
Gain on Property Sales					4,282			4,282
Other Revenues	554,590	118,776		673,366	56,861	210,884		267,745
Use of Funds as Designated								
Restricted Funds Released		(6,459,390)		(6,459,390)		(6,460,848)		(6,460,848)
Support of Ministries and Education	4,881,860			4,881,860	4,823,027			4,823,027
Cemetery Improvements	347,836			347,836	184,842			184,842
Capital Campaign Commitments	524,274			524,274	512,257			512,257
Donor Designated Support of Ministries	206,167			206,167	441,316			441,316
Endowment Commitments	499,253			499,253	499,406			499,406
Total	<u>26,213,278</u>	<u>230,329</u>	<u>-</u>	<u>26,443,607</u>	<u>23,986,036</u>	<u>(1,839,701)</u>	<u>-</u>	<u>22,146,335</u>

(Continued . . .)

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

	2016			2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses								
Programs:								
Social Service Programs	1,114,578			1,114,578	1,127,851			1,127,851
Priestly Care	3,306,284			3,306,284	3,129,692			3,129,692
Religious Development	955,731			955,731	664,342			664,342
Education	13,289,269			13,289,269	13,205,451			13,205,451
Diocesan Cemeteries	1,330,155			1,330,155	1,352,677			1,352,677
Communications	310,117			310,117	333,538			333,538
Diocesan Expansion Fund:								
Interest on Deposits	1,386,492			1,386,492	1,342,735			1,342,735
General Administration	2,141,927			2,141,927	1,834,533			1,834,533
Provision for Doubtful Accounts	545,665			545,665	250,000			250,000
Use of Designated Funds	-			-	45,865			45,865
Capital Campaign Commitments	524,274			524,274	512,257			512,257
Use of Restricted Funds as Designated	206,167			206,167	441,316			441,316
Annuity and Endowment Expenses	499,253			499,253	499,406			499,406
Other	392,993			392,993	439,077			439,077
Total	<u>26,002,905</u>	<u>-</u>	<u>-</u>	<u>26,002,905</u>	<u>25,178,740</u>	<u>-</u>	<u>-</u>	<u>25,178,740</u>
Increase (Decrease) in Net Assets								
Net Assets, Beginning	210,373	230,329	-	440,702	(1,192,704)	(1,839,701)	-	(3,032,405)
Net Assets, Ending	<u>1,951,542</u>	<u>29,654,304</u>	<u>1,456,248</u>	<u>33,062,094</u>	<u>3,144,246</u>	<u>31,494,005</u>	<u>1,456,248</u>	<u>36,094,499</u>
	<u>2,161,915</u>	<u>29,884,633</u>	<u>1,456,248</u>	<u>33,502,796</u>	<u>1,951,542</u>	<u>29,654,304</u>	<u>1,456,248</u>	<u>33,062,094</u>

See accompanying notes to financial statements.

(Concluded)

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2016	2015
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	<u>440,702</u>	<u>(3,032,405)</u>
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	486,541	475,773
Investment (Gains) Losses	(1,474,024)	2,159,197
(Increase) Decrease in Accounts Receivable, Net	1,016,369	(125,680)
Decrease in Loans Receivable, Net	1,136,687	991,675
(Increase) Decrease in Other Receivables	(534,809)	31,138
(Increase) Decrease in Other Assets	26,977	(47,238)
Increase (Decrease) in Accounts Payable and Accrued Expenses	924,845	(864,846)
Decrease in Deferred Revenue	(310,436)	(549,548)
Decrease in Diocesan Expansion Fund Deposits Payable	(552,304)	(1,615,249)
Decrease in Annuities Payable	(114,156)	(117,378)
Increase (Decrease) in Deferred Tuition and Fees	(10,349)	261,326
Decrease in Funds Held For Others	<u>(31,542)</u>	<u>(167,066)</u>
Total Adjustments	<u>563,799</u>	<u>432,104</u>
Net Cash Provided by (Used in) Operating Activities	<u>1,004,501</u>	<u>(2,600,301)</u>
Cash Flows from Investing Activities		
Net Decreases in Land, Buildings and Equipment	9,220	48,984
Purchases of Land, Buildings and Equipment	(264,521)	(30,378)
Net Sales (Purchases) of Investments	<u>858,434</u>	<u>(1,145,694)</u>
Net Cash Provided by (Used in) Investing Activities	<u>603,133</u>	<u>(1,127,088)</u>
Net Increase (Decrease) in Cash and Equivalents	1,607,634	(3,727,389)
Cash and Equivalents, Beginning	<u>11,316,487</u>	<u>15,043,876</u>
Cash and Equivalents, Ending	<u>12,924,121</u>	<u>11,316,487</u>

See accompanying notes to financial statements.

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)**

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 AND 2015

Note 1. Organization

The 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 financial statements also include the accounts of The Diocesan Expansion Fund, Central Catholic Schools, The Catholic Free Press and Diocesan Cemeteries.

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 1,562 in 2016 and 1,564 in 2015.

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.

Note 2. Summary of Significant Accounting Policies

The Diocese presents its financial statements in accordance with U.S. generally accepted accounting principles which 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 FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

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. Unrealized gains and losses are allocated to unrestricted assets. U.S. generally accepted accounting principles established a single definition of fair value, with a framework for measuring fair value and an expansion of disclosure requirements regarding assets and liabilities measured at fair value. They also require 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 (Note 4). Investments are based on quoted market prices in active markets for identical assets and liabilities.

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

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:

	2016	2015
Land, Buildings and Improvements	22,848,930	22,742,913
Equipment	1,335,332	1,187,980
Furniture and Fixtures	151,029	151,029
	24,335,291	24,081,922
Less: Accumulated Depreciation	15,703,419	15,218,810
Net	8,631,872	8,863,112

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 8). The Diocesan Central Administration provides a defined contribution retirement plan which covers all eligible lay people employed by the Diocese (Note 9).

Twenty percent (20%) of the proceeds from the sale of crypts and lot sales is set aside for perpetual care (25% effective September 1, 2016). 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 operating expenses of the cemeteries.

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 \$331,692 in 2016 and \$292,580 in 2015.

Advertising Costs are expensed as incurred and totaled \$61,451 in 2016 and \$61,979 in 2015.

The Diocese is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code under the group exemption of the United States Conference of Catholic Bishops and, accordingly, is not required to file federal or state information returns. Management does not believe the financial statements contain any uncertain tax positions.

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015**

Note 3. Accounts and Loans Receivables

Accounts Receivable are stated net of an allowance for doubtful parish assessments of \$3,228,533 and \$3,238,648 at August 31, 2016 and 2015, respectively. Loans Receivable are stated net of an allowance for doubtful loans of \$3,448,282 and \$3,922,310 at August 31, 2016 and 2015, respectively.

Note 4. Investments

Investments are recorded at market value determined from quoted market prices. Unrealized gains and losses are allocated to unrestricted assets. 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. U.S. generally accepted accounting principles 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 FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

Note 4. Investments (cont.)

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

	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Level 1				
Money Market Funds	21,241	21,241	21,215	21,215
Government Debt Securities	23,176,305	23,643,697	22,887,271	22,856,398
Domestic Corporate Stock	12,366,818	16,221,790	12,840,813	16,182,196
Foreign Corporate Stock	<u>9,851,209</u>	<u>10,312,705</u>	<u>9,848,625</u>	<u>9,853,615</u>
	45,415,573	50,199,433	45,597,924	48,913,424
Level 2				
Corporate Debt Securities	10,221,185	10,227,781	11,312,833	11,200,904
Level 3				
Real Estate Limited Partnership	<u>2,050,000</u>	<u>2,961,738</u>	<u>2,050,000</u>	<u>2,659,034</u>
Total	<u><u>57,686,758</u></u>	<u><u>63,388,952</u></u>	<u><u>58,960,757</u></u>	<u><u>62,773,362</u></u>

The Diocese's investments, recorded at fair market value, have been categorized based upon a fair value hierarchy in accordance with U.S. generally accepted accounting principles.

The investments had unrealized gains of \$1,787,907 and unrealized losses of \$1,669,729 for the years ended August 31, 2016 and 2015, 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 such changes could materially affect the amounts reported in the statement of financial position.

ROMAN CATHOLIC BISHOP OF WORCESTER**(A CORPORATION SOLE)****NOTES TO FINANCIAL STATEMENTS****AUGUST 31, 2016 AND 2015****Note 4. Investments (cont.)**

The following is a summary of changes in the balances of investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	2016	2015
Balance – Beginning of Year	2,659,034	2,404,700
Dividends and Interest	129,724	120,813
Investment Expense	(31,100)	(27,722)
Total Realized and Unrealized Gains	<u>204,080</u>	<u>161,243</u>
Balance – End of Year	<u><u>2,961,738</u></u>	<u><u>2,659,034</u></u>

The Barings Core Property Fund LP is a Delaware limited partnership. It operates as a commingled open-end real estate fund structured as a private real estate investment trust and operating partnership managed by Barings Real Estate Advisers LLC. The Diocese may contribute capital from time to time based upon the partnerships admission policy, which is within the sole discretion of the partnership's manager, Barings Real Estate Advisers LLC, the General Partner. The Diocese receives units based upon the unit value of the partnership at its immediately preceding valuation date. The units are not registered nor approved, disapproved, or passed by any federal or state agency, commission or exchange. The units are not publicly traded and have limited transferability. The Diocese may redeem units upon timely application to the General Partner and restricted to the availability of funds on the next valuation date.

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 \$311,294 in 2016 and \$390,517 in 2015.

ROMAN CATHOLIC BISHOP OF WORCESTER

(A CORPORATION SOLE)

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2016 AND 2015

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. Interest charged on loans is 3% higher than the interest rate paid on deposits and is adjusted quarterly. At August 31, 2016, the interest rate paid on savings accounts was 2.5%, and the interest rate charged on loans was 5.5%. 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 \$12,147,389 and \$13,758,104 at August 31, 2016 and 2015, respectively.

Loans totaling \$2,012,860 and \$2,537,249 as of August 31, 2016 and 2015, 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, 2016 and 2015 was approximately \$112,458 and \$146,621, respectively.

The following is a summary of DEF assets and liabilities, including interfund receivables of \$22,376,812 and \$22,848,007 and deposits payable of \$15,055,490 and \$14,778,935 at August 31, 2016 and 2015, respectively, that have been eliminated in the accompanying combined statement of financial position:

	2016	2015
Cash and Cash Equivalents	6,024,509	4,502,772
Investments	23,390,941	22,788,807
Receivables, Net	31,075,919	32,683,801
Total Assets	60,491,369	59,975,380
Deposits Payable	(55,106,991)	(55,382,740)
Fund Balance/Net Assets	<u>5,384,378</u>	<u>4,592,640</u>

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

Note 7. Annuities Payable

The Diocese has entered into several charitable gift annuity agreements with various contributors. Cumulative amounts received under these agreements totaled \$5,122,604 through August 31, 2016. 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 9%. Future annual amounts the Diocese was committed to pay totaled \$2,322,595 and \$2,436,751 at August 31, 2016 and 2015, 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 \$114,156 in 2016 and \$117,378 in 2015 and is reported as revenue in the accompanying Statements of Activities.

Note 8. 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 \$550,000 in both fiscal years 2016 and 2015. Each priest received a stipend of \$2,092 per month in 2016 and \$2,027 per month during 2015. The total annual payment for these years was \$1,545,948 in fiscal year 2016 and \$1,508,707 in fiscal year 2015.

Retirement is ordinarily 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.

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 \$3,000 per month for 24 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.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2016 AND 2015

Note 9. Lay Employees' Pension Plan

The Diocese provides a 403(b) salary deferral plan that covers all eligible employees of the Diocese. Those who have at least 3 years of credited service at the beginning of a plan year are eligible to receive an employer matching contribution to their account in the 403(b) plan. The employer will contribute an equal amount for deferrals up to 2%. For deferrals of 3% or more, the employer will contribute 4%. Diocesan contributions to the plan totaled \$249,039 in 2016 and \$250,385 in 2015. During the year ended August 31, 2014, the Diocese froze its defined contribution money purchase plan and expanded the coverage of its section 403(b) salary deferral plan.

Note 10. 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, 2016, the Diocesan Expansion Fund had total open loan commitments outstanding of \$226,018.

Note 11. Date Through Which Subsequent Events Have Been Evaluated

The Diocese has evaluated all material subsequent events from the end of the fiscal year through December 29, 2016, the date the financial statements were available to be issued.