

ROMAN CATHOLIC BISHOP OF WORCESTER

(A CORPORATION SOLE)

CENTRAL CATHOLIC SCHOOLS

FINANCIAL STATEMENTS

AUGUST 31, 2017 AND 2016

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

Certified Public Accountants

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

January 23, 2018

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") Central Catholic Schools (the "Schools"), which comprise the statement of financial position as of August 31, 2017 and 2016, 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) Central Catholic Schools as of August 31, 2017 and 2016, 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)
CENTRAL CATHOLIC SCHOOLS
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2017 AND 2016**

ASSETS

	2017	2016
Cash	\$ 167,749	\$ 160,777
Funds on Deposit with Diocesan Expansion Fund	1,182,155	1,263,993
Bookstore Inventory and Instructional Materials	129,615	135,226
Other Assets	30,721	-
Land, Buildings and Equipment, Net	<u>5,663,883</u>	<u>5,736,785</u>
Total Assets	<u><u>\$ 7,174,123</u></u>	<u><u>\$ 7,296,781</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	\$ 132,320	\$ 77,089
Funds Held for Others	149,548	154,457
Deferred Tuition and Fees	3,402,884	3,396,016
Amount Due to Central Administration	5,682,555	5,687,150
Amount Due to Diocesan Expansion Fund	<u>2,867,066</u>	<u>2,995,063</u>
Total	<u>12,234,373</u>	<u>12,309,775</u>

Net Assets

Unrestricted	(6,131,540)	(6,011,421)
Temporarily Restricted	<u>1,071,290</u>	<u>998,427</u>
Total	<u>(5,060,250)</u>	<u>(5,012,994)</u>

Total Liabilities and Net Assets

	<u><u>\$ 7,174,123</u></u>	<u><u>\$ 7,296,781</u></u>
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See accompanying notes to financial statements.

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
CENTRAL CATHOLIC SCHOOLS
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Operating Support and Revenue						
Tuition	\$ 10,740,091		\$ 10,740,091	\$ 10,940,068		\$ 10,940,068
Parish Assessments	17,675		17,675	20,125		20,125
Fundraising and Other Non-Educational	965,130		965,130	856,120		856,120
Bookstore	23,735		23,735	42,466		42,466
Rental Income	173,815		173,815	91,731		91,731
Beano	57,000		57,000	54,500		54,500
Athletics	32,102		32,102	44,516		44,516
Drama/Musical	28,782		28,782	17,414		17,414
Scholarships	-	\$ 72,863	72,863	-	\$ 22,412	22,412
Net Assets Released from Restrictions	-	-	-	26,894	(26,894)	-
Total	12,038,330	72,863	12,111,193	12,093,834	(4,482)	12,089,352
Operating Expenses						
Salaries	7,538,182		7,538,182	7,662,908		7,662,908
Personnel Benefits	2,031,838		2,031,838	2,029,292		2,029,292
Fundraising and Non-Educational	452,839		452,839	283,822		283,822
School Maintenance	874,813		874,813	883,324		883,324
Administration	249,834		249,834	251,860		251,860
Instructional	232,361		232,361	208,181		208,181
Guidance	109,951		109,951	97,190		97,190
Scholarship	-		-	27,894		27,894
Extra-Curricular	619,228		619,228	681,186		681,186
Convent Residence Maintenance	29,703		29,703	28,361		28,361
Facilities Expenditures	53,285		53,285	59,547		59,547
Interest Expense	152,167		152,167	153,198		153,198
Alumni Office	70,929		70,929	45,880		45,880
Total	12,415,130	-	12,415,130	12,412,643	-	12,412,643
Excess (Deficiency) of Operating Support and Revenue Over Expenses	\$ (376,800)	\$ 72,863	\$ (303,937)	\$ (318,809)	\$ (4,482)	\$ (323,291)

(Continued ...)

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
CENTRAL CATHOLIC SCHOOLS
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Other Changes in Assets						
Non-Operating Support						
Subsidy from Central Administration	\$ 425,000		\$ 425,000	\$ 339,409		\$ 339,409
Designated Income	138,000		138,000	-		-
Non-Operating Expense						
Depreciation	(306,319)		(306,319)	(305,853)		(305,853)
Net	256,681	\$ -	256,681	33,556	\$ -	33,556
Increase (Decrease) in Net Assets	(120,119)	72,863	(47,256)	(285,253)	(4,482)	(289,735)
Net Assets, Beginning	(6,011,421)	998,427	(5,012,994)	(5,726,168)	1,002,909	(4,723,259)
Net Assets, Ending	<u>\$ (6,131,540)</u>	<u>\$ 1,071,290</u>	<u>\$ (5,060,250)</u>	<u>\$ (6,011,421)</u>	<u>\$ 998,427</u>	<u>\$ (5,012,994)</u>

See accompanying notes to financial statements.

(Concluded)

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
CENTRAL CATHOLIC SCHOOLS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016
INCREASE (DECREASE) IN CASH**

	2017	2016
Cash Flows from Operating Activities		
Decrease in Net Assets	<u>\$ (47,256)</u>	<u>\$ (289,735)</u>
Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation	306,319	305,853
Decrease in Accounts Receivable	-	6,048
(Increase) Decrease in Funds on Deposit with Diocesan Expansion Fund	81,838	(113,866)
(Increase) Decrease in Bookstore Inventory and Instructional Materials	5,611	(81)
Increase in Other Assets	(30,721)	-
Increase (Decrease) in Accounts Payable and Accrued Expenses	55,231	(30,296)
Decrease in Funds Held for Others	(4,909)	(25,484)
Increase (Decrease) in Deferred Tuition and Fees	<u>6,868</u>	<u>(10,349)</u>
Total Adjustments	<u>420,237</u>	<u>131,825</u>
Net Cash Provided by (Used in) Operating Activities	<u>372,981</u>	<u>(157,910)</u>
Cash Flows from Investing Activities		
Capital Expenditures	<u>(233,417)</u>	<u>-</u>
Cash Flows from Financing Activities		
Proceeds from (Repayments of) Amounts Due to Central Administration	(4,595)	270,480
Repayments of Amounts Due to Diocesan Expansion Fund	<u>(127,997)</u>	<u>(147,331)</u>
Net Cash Provided by (Used in) Financing Activities	<u>(132,592)</u>	<u>123,149</u>
Net Increase (Decrease) in Cash	6,972	(34,761)
Cash, Beginning	<u>160,777</u>	<u>195,538</u>
Cash, Ending	<u>\$ 167,749</u>	<u>\$ 160,777</u>

See accompanying notes to financial statements.

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
CENTRAL CATHOLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016**

Note 1. Organization

The financial statements of the Roman Catholic Bishop of Worcester (A Corporation Sole) Central Catholic Schools include the accounts of Holy Name Junior-Senior High School, Saint Peter-Marian Junior-Senior High School, St. Peter Central Catholic Elementary School, and Saint Bernard's High School. Total student enrollment was 1,495 in 2017 and 1,562 in 2016.

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 restricted for providing scholarships to students.

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.

Funds on Deposit with Diocesan Expansion Fund earn interest at a variable rate, adjusted quarterly. At August 31, 2017, the rate was 3.0%.

Bookstore Inventory and Instructional Materials are stated at the lower of cost or market on a first-in, first-out basis.

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
CENTRAL CATHOLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016**

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

Advertising Costs are expensed as incurred and totaled \$44,281 in 2017 and \$33,666 in 2016.

Land, Buildings and Equipment are stated at cost. The basis of school land and buildings has been determined from historical cost data for property purchased or constructed by the Diocese. No value has been assigned to property of the Central Catholic Schools which was originally transferred to the Diocese by parishes. Land, Buildings and Equipment consist of:

	2017	2016
Land, Buildings and Improvements	\$15,776,068	\$15,542,651
Equipment	<u>420,630</u>	<u>420,630</u>
	16,196,698	15,963,281
Less: Accumulated Depreciation	<u>10,532,815</u>	<u>10,226,496</u>
Total	<u><u>\$ 5,663,883</u></u>	<u><u>\$ 5,736,785</u></u>

Funds Held for Others represent funds received and held by the Schools as fiscal agent for others.

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.

The School 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)
CENTRAL CATHOLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2017 AND 2016

Note 3. Pension Plan

The employees of the Central Catholic Schools participate in a 403(b) salary deferral plan that covers all eligible employees of the Diocese. Those who have at least three 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 for School employees totaled \$155,291 in 2017 and \$164,443 in 2016.

Note 4. Contingencies

The Schools may be exposed to various liability claims for which insurance is carried. 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.

Note 5. Concentrations

The Schools have financial instruments, consisting primarily of cash and cash equivalents, which potentially expose the Schools to concentrations of credit and market risk. Cash and cash equivalents are held at local banks. The Schools have not experienced any losses on its cash and cash equivalents. In the ordinary course of business, the Schools have, at various times, cash deposits with a bank which are in excess of federally insured limits.

Note 6. Date Through Which Subsequent Events Have Been Evaluated

The Schools have evaluated all material subsequent events from the end of the fiscal year through January 23, 2018, the date the financial statements were available to be issued.

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS
ON SUPPLEMENTARY INFORMATION**

January 23, 2018

Most Reverend Robert J. McManus
Roman Catholic Bishop of Worcester

Our report on our audits of the basic financial statements of the Roman Catholic Bishop of Worcester (a Corporation Sole) Central Catholic Schools as of and for the years ended August 31, 2017 and 2016 appears on page 1. We conducted our audits in accordance with auditing standards generally accepted in the United States of America for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

O'Connor, Maloney and Company

Certified Public Accountants

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
CENTRAL CATHOLIC SCHOOLS
SUPPLEMENTAL SCHEDULE OF ACTIVITIES BY SCHOOL
FOR THE YEAR ENDED AUGUST 31, 2017

	Saint Peter-Marian High School	Holy Name High School	Saint Bernard's High School	Saint Peter Elementary	Total
Operating Support and Revenue					
Tuition	\$ 3,648,191	\$ 4,152,750	\$ 1,488,025	\$ 1,451,125	\$ 10,740,091
Parish Assessments	3,150	8,225	1,925	4,375	17,675
Fundraising and Other Non-Educational	207,612	398,380	35,159	323,979	965,130
Bookstore	2,598	5,291		15,846	23,735
Rental Income	146,792	5,870	21,153		173,815
Beano				57,000	57,000
Athletics	16,015	2,463	11,695	1,929	32,102
Drama/Musical	8,690	6,709		13,383	28,782
Scholarships	36,612	30,405	4,564	1,282	72,863
Total	<u>4,069,660</u>	<u>4,610,093</u>	<u>1,562,521</u>	<u>1,868,919</u>	<u>12,111,193</u>
Operating Expenses					
Salaries	2,389,841	2,768,992	1,054,613	1,324,736	7,538,182
Personnel Benefits	693,918	723,249	263,996	350,675	2,031,838
Fundraising and Non-Educational	91,149	217,576	109,826	34,288	452,839
School Maintenance	346,912	251,838	184,200	91,863	874,813
Administration	67,908	95,064	44,093	42,769	249,834
Instructional	85,334	87,612	4,254	55,161	232,361
Guidance	88,018	16,678	5,255		109,951
Extra-Curricular	324,230	173,055	95,270	26,673	619,228
Convent Residence Maintenance	2,696	27,007			29,703
Facilities Expenditures	10,170	43,115			53,285
Interest Expense	115,863	36,304			152,167
Alumni Office		65,280	5,649		70,929
Total	<u>4,216,039</u>	<u>4,505,770</u>	<u>1,767,156</u>	<u>1,926,165</u>	<u>12,415,130</u>
Excess (Deficiency) of Operating Support and Revenue Over Expenses	<u>(146,379)</u>	<u>104,323</u>	<u>(204,635)</u>	<u>(57,246)</u>	<u>(303,937)</u>
Other Changes in Net Assets					
Non-Operating Support:					
Subsidy from Central Administration	157,273		209,199	58,528	425,000
Designated Income		138,000			138,000
Non-Operating Expense:					
Depreciation	(165,949)	(110,445)	(27,203)	(2,722)	(306,319)
Total Other Changes in Net Assets	<u>(8,676)</u>	<u>27,555</u>	<u>181,996</u>	<u>55,806</u>	<u>256,681</u>
Increase (Decrease) in Net Assets	<u>(155,055)</u>	<u>131,878</u>	<u>(22,639)</u>	<u>(1,440)</u>	<u>(47,256)</u>
Net Assets, Beginning	<u>(2,948,465)</u>	<u>(1,283,728)</u>	<u>(480,302)</u>	<u>(300,499)</u>	<u>(5,012,994)</u>
Net Assets, Ending	<u>\$ (3,103,520)</u>	<u>\$ (1,151,850)</u>	<u>\$ (502,941)</u>	<u>\$ (301,939)</u>	<u>\$ (5,060,250)</u>

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
CENTRAL CATHOLIC SCHOOLS
SUPPLEMENTAL SCHEDULE OF ACTIVITIES BY SCHOOL
FOR THE YEAR ENDED AUGUST 31, 2016

	Saint Peter-Marian High School	Holy Name High School	Saint Bernard's High School	Saint Peter Elementary	Total
Operating Support and Revenue					
Tuition	\$ 3,874,960	\$ 3,976,316	\$ 1,626,229	\$ 1,462,563	\$ 10,940,068
Parish Assessments	5,075	7,350	3,150	4,550	20,125
Fundraising and Other Non-Educational	184,280	294,750	47,891	329,199	856,120
Bookstore	14,102	13,062		15,302	42,466
Rental Income	71,148	7,720	12,863		91,731
Beano				54,500	54,500
Athletics	20,729	7,201	15,206	1,380	44,516
Drama/Musical	5,084			12,330	17,414
Scholarships		6,263	5,093	11,056	22,412
Total	<u>4,175,378</u>	<u>4,312,662</u>	<u>1,710,432</u>	<u>1,890,880</u>	<u>12,089,352</u>
Operating Expenses					
Salaries	2,436,517	2,785,349	1,095,127	1,345,915	7,662,908
Personnel Benefits	662,733	669,091	330,817	366,651	2,029,292
Fundraising and Non-Educational	56,212	88,488	110,608	28,514	283,822
School Maintenance	362,755	231,245	188,163	101,161	883,324
Administration	71,012	96,808	46,201	37,839	251,860
Instructional	73,168	81,754	3,613	49,646	208,181
Guidance	68,849	14,610	6,141	7,590	97,190
Scholarship	26,894	-	1,000		27,894
Extra-Curricular	398,358	171,609	102,940	8,279	681,186
Convent Residence Maintenance	1,566	26,795			28,361
Facilities Expenditures	20,100	39,447			59,547
Interest Expense	114,562	38,636			153,198
Alumni Office		41,967	3,913		45,880
Total	<u>4,292,726</u>	<u>4,285,799</u>	<u>1,888,523</u>	<u>1,945,595</u>	<u>12,412,643</u>
Excess (Deficiency) of Operating Support and Revenue Over Expenses	<u>(117,348)</u>	<u>26,863</u>	<u>(178,091)</u>	<u>(54,715)</u>	<u>(323,291)</u>
Other Changes in Net Assets					
Non-Operating Support:					
Subsidy from Central Administration	90,454		183,184	65,771	339,409
Designated Income					-
Non-Operating Expense:					
Depreciation	<u>(165,949)</u>	<u>(110,445)</u>	<u>(27,203)</u>	<u>(2,256)</u>	<u>(305,853)</u>
Total Other Changes in Net Assets	<u>(75,495)</u>	<u>(110,445)</u>	<u>155,981</u>	<u>63,515</u>	<u>33,556</u>
Increase (Decrease) in Net Assets	<u>(192,843)</u>	<u>(83,582)</u>	<u>(22,110)</u>	<u>8,800</u>	<u>(289,735)</u>
Net Assets, Beginning	<u>(2,755,622)</u>	<u>(1,200,146)</u>	<u>(458,192)</u>	<u>(309,299)</u>	<u>(4,723,259)</u>
Net Assets, Ending	<u>\$ (2,948,465)</u>	<u>\$ (1,283,728)</u>	<u>\$ (480,302)</u>	<u>\$ (300,499)</u>	<u>\$ (5,012,994)</u>