

ROMAN CATHOLIC BISHOP OF WORCESTER

(A CORPORATION SOLE)

FINANCIAL STATEMENTS

AUGUST 31, 2015 AND 2014

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

Certified Public Accountants

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

January 14, 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, 2015 and 2014, 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, 2015 and 2014, 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.

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Certified Public Accountants

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2015 AND 2014

ASSETS

	2015	2014
Cash and Cash Equivalents	11,316,487	15,043,876
Investments	62,773,362	63,786,865
Accounts Receivable, Net	5,750,516	5,624,836
Loans Receivable, Net	9,835,794	10,827,469
Other Receivables	177,957	209,095
Other Assets	266,232	218,994
Land, Buildings and Equipment, Net	<u>8,863,112</u>	<u>9,357,491</u>
Total Assets	<u><u>98,983,460</u></u>	<u><u>105,068,626</u></u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	16,094,748	16,959,594
Deferred Revenue	2,030,181	2,579,729
Diocesan Expansion Fund Deposits Payable	40,603,805	42,219,054
Deferred Tuition and Fees	3,406,365	3,145,039
Annuities Payable	2,436,751	2,554,129
Funds Held For Others	<u>1,349,516</u>	<u>1,516,582</u>
Total	<u><u>65,921,366</u></u>	<u><u>68,974,127</u></u>

Net Assets

Unrestricted	1,951,542	3,144,246
Temporarily Restricted	29,654,304	31,494,005
Permanently Restricted	<u>1,456,248</u>	<u>1,456,248</u>
Total	<u><u>33,062,094</u></u>	<u><u>36,094,499</u></u>

Total Liabilities and Net Assets

	<u><u>98,983,460</u></u>	<u><u>105,068,626</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, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions:								
Partners in Charity		4,881,860		4,881,860		4,823,027		4,823,027
Bequests				-	39,914	1,600,834		1,640,748
Tuition and Fees	12,054,154			12,054,154	11,862,483			11,862,483
Cemetery Fees	1,200,539	57,050		1,257,589	1,063,788	57,347		1,121,135
Central Administration:								
Cathedraticum	2,234,454			2,234,454	2,189,877			2,189,877
Priest Retirement Assessments	700,932			700,932	722,509			722,509
Insurance Program, Net	746,139			746,139	547,510			547,510
Investments:								
Investment Income	1,736,345	422,032		2,158,377	1,784,208	631,371		2,415,579
Gain (Loss) on Investments	(368,517)	(120,951)		(489,468)	180,645	76,746		257,391
Unrealized Gain (Loss) on Investments	(840,001)	(829,728)		(1,669,729)	1,835,576	2,461,557		4,297,133
Gain on Property Sales	4,282			4,282				-
Other Revenues	56,861	210,884		267,745	208,122	128,760		336,882
Use of Funds as Designated								
Restricted Funds Released		(6,460,848)		(6,460,848)		(6,112,802)		(6,112,802)
Support of Ministries and Education	4,823,027			4,823,027	4,868,683			4,868,683
Cemetery Improvements	184,842			184,842	144,548			144,548
Capital Campaign Commitments	512,257			512,257	480,610			480,610
Donor Designated Support of Ministries	441,316			441,316	121,084			121,084
Endowment Commitments	499,406			499,406	497,877			497,877
Total	<u>23,986,036</u>	<u>(1,839,701)</u>	<u>-</u>	<u>22,146,335</u>	<u>26,547,434</u>	<u>3,666,840</u>	<u>-</u>	<u>30,214,274</u>

(Continued . . .)

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses								
Programs:								
Social Service Programs	1,127,851			1,127,851	1,252,008			1,252,008
Priestly Care	3,129,692			3,129,692	3,064,619			3,064,619
Religious Development	664,342			664,342	744,427			744,427
Education	13,205,451			13,205,451	12,919,822			12,919,822
Diocesan Cemeteries	1,352,677			1,352,677	1,275,912			1,275,912
Communications	333,538			333,538	300,944			300,944
Diocesan Expansion Fund:								
Interest on Deposits	1,342,735			1,342,735	1,420,749			1,420,749
General Administration	1,834,533			1,834,533	2,151,568			2,151,568
Provision for Doubtful Accounts	250,000			250,000	635,000			635,000
Use of Designated Funds	45,865			45,865				-
Capital Campaign Commitments	512,257			512,257	480,610			480,610
Use of Restricted Funds as Designated	441,316			441,316	121,084			121,084
Annuity and Endowment Expenses	499,406			499,406	497,877			497,877
Other	439,077			439,077	406,757			406,757
Total	<u>25,178,740</u>	<u>-</u>	<u>-</u>	<u>25,178,740</u>	<u>25,271,377</u>	<u>-</u>	<u>-</u>	<u>25,271,377</u>
Increase (Decrease) in Net Assets	(1,192,704)	(1,839,701)	-	(3,032,405)	1,276,057	3,666,840	-	4,942,897
Net Assets, Beginning	<u>3,144,246</u>	<u>31,494,005</u>	<u>1,456,248</u>	<u>36,094,499</u>	<u>1,868,189</u>	<u>27,827,165</u>	<u>1,456,248</u>	<u>31,151,602</u>
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>

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, 2015 AND 2014

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	2015	2014
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	<u>(3,032,405)</u>	<u>4,942,897</u>
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	475,773	489,060
Investment (Gains) Losses	2,159,197	(4,554,524)
Increase in Accounts Receivable, Net	(125,680)	(494,720)
Decrease in Loans Receivable, Net	991,675	1,329,844
Decrease in Other Receivables	31,138	41,523
Increase in Other Assets	(47,238)	(16,627)
Increase (Decrease) in Accounts Payable and Accrued Expenses	(864,846)	2,746,856
Decrease in Deferred Revenue	(549,548)	(146,205)
Decrease in Diocesan Expansion Fund Deposits Payable	(1,615,249)	(3,159,281)
Decrease in Annuities Payable	(117,378)	(119,759)
Increase (Decrease) in Deferred Tuition and Fees	261,326	(210,527)
Increase (Decrease) in Funds Held For Others	<u>(167,066)</u>	<u>103,139</u>
Total Adjustments	<u>432,104</u>	<u>(3,991,221)</u>
Net Cash Provided by (Used in) Operating Activities	<u>(2,600,301)</u>	<u>951,676</u>
Cash Flows from Investing Activities		
Net Decreases in Land, Buildings and Equipment	48,984	19,362
Purchases of Land, Buildings and Equipment	(30,378)	(45,125)
Net Purchase of Investments	<u>(1,145,694)</u>	<u>(807,255)</u>
Net Cash Used in Investing Activities	<u>(1,127,088)</u>	<u>(833,018)</u>
Net Increase (Decrease) in Cash and Equivalents	(3,727,389)	118,658
Cash and Equivalents, Beginning	<u>15,043,876</u>	<u>14,925,218</u>
Cash and Equivalents, Ending	<u><u>11,316,487</u></u>	<u><u>15,043,876</u></u>

See accompanying notes to financial statements.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

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 1,564 in 2015 and 1,533 in 2014.

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, 2015 AND 2014

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, 2015 AND 2014

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:

	2015	2014
Land, Buildings and Improvements	22,742,913	22,723,687
Equipment	1,187,980	1,191,698
Furniture and Fixtures	151,029	151,029
	<u>24,081,922</u>	<u>24,066,414</u>
Less: Accumulated Depreciation	15,218,810	14,708,923
Net	<u><u>8,863,112</u></u>	<u><u>9,357,491</u></u>

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. 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 \$292,580 in 2015 and \$315,278 in 2014.

Advertising Costs are expensed as incurred and totaled \$61,979 in 2015 and \$57,288 in 2014.

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, 2015 AND 2014

Note 3. Accounts and Loans Receivables

Accounts Receivable are stated net of an allowance for doubtful parish assessments of \$3,238,648 and \$3,320,124 at August 31, 2015 and 2014, respectively. Loans Receivable are stated net of an allowance for doubtful loans of \$3,922,310 and \$4,082,310 at August 31, 2015 and 2014, 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, 2015 AND 2014

Note 4. Investments (cont.)

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

	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Level 1				
Money Market Funds	21,215	21,215	21,379	21,379
Government Debt Securities	22,887,271	22,856,398	5,994,158	6,326,006
Domestic Corporate Stock	12,840,813	16,182,196	10,425,546	15,271,216
Foreign Corporate Stock	9,848,625	9,853,615	9,909,912	11,726,447
	<u>45,597,924</u>	<u>48,913,424</u>	<u>26,350,995</u>	<u>33,345,048</u>
Level 2				
Corporate Debt Securities	11,312,833	11,200,904	23,010,199	23,628,207
Preferred Stocks			4,085,477	4,408,910
	<u>11,312,833</u>	<u>11,200,904</u>	<u>27,095,676</u>	<u>28,037,117</u>
Level 3				
Real Estate	<u>2,050,000</u>	<u>2,659,034</u>	<u>2,050,000</u>	<u>2,404,700</u>
Total	<u><u>58,960,757</u></u>	<u><u>62,773,362</u></u>	<u><u>55,496,671</u></u>	<u><u>63,786,865</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 losses of \$1,669,729 and unrealized gains of \$4,297,133 for the years ended August 31, 2015 and 2014, 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, 2015 AND 2014

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):

	2015	2014
Balance – Beginning of Year	2,404,700	1,936,694
Purchases	-	300,000
Dividends and Interest	120,813	103,613
Investment Expense	(27,722)	(23,482)
Total Realized and Unrealized Gains	161,243	87,875
Balance – End of Year	2,659,034	2,404,700

The Cornerstone Patriot 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 Cornerstone 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, Cornerstone 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 \$390,517 in 2015 and \$161,368 in 2014.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

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, 2015, interest at 2.25% is paid on savings accounts, and interest at 5.25% 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 \$13,758,104 and \$14,909,779 at August 31, 2015 and 2014, respectively.

Loans totaling \$2,537,249 and \$3,135,122 as of August 31, 2015 and 2014, 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, 2015 and 2014 was approximately \$146,621 and \$183,837, respectively.

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

	2015	2014
Cash and Cash Equivalents	4,502,772	7,671,972
Investments	22,788,807	21,280,195
Receivables, Net	<u>32,683,801</u>	<u>34,555,968</u>
Total Assets	59,975,380	63,508,135
Deposits Payable	<u>(55,382,740)</u>	<u>(56,917,111)</u>
Fund Balance/Net Assets	<u><u>4,592,640</u></u>	<u><u>6,591,024</u></u>

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2015 AND 2014

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, 2015. 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 \$2,436,751 and \$2,554,129 at August 31, 2015 and 2014, 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 \$117,378 in 2015 and \$119,759 in 2014 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 2015 and 2014. Each priest received a stipend of \$2,027 per month during 2015 and 2014. The total annual payment for these years was \$1,508,707 in fiscal year 2015 and \$1,526,034 in fiscal year 2014.

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, 2015 AND 2014

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 \$250,385 in 2015 and \$284,113 in 2014.

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, 2015, the Diocesan Expansion Fund had total open loan commitments outstanding of \$513,803.

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 January 14, 2016, the date the financial statements were available to be issued.