

**ROMAN CATHOLIC BISHOP OF WORCESTER**

**(A CORPORATION SOLE)**

**COMBINED FINANCIAL STATEMENTS**

**AUGUST 31, 2008 AND 2007 (RESTATED)**

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

*Certified Public Accountants*

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

October 31, 2008

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, 2008 and 2007, 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, 2008 and 2007, 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 & Company, P.C.*

Certified Public Accountants

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2008 AND 2007 (RESTATED)**

**ASSETS**

	<b>2008</b>	<b>2007</b>
Cash and Equivalents	11,968,042	10,644,979
Investments	61,831,212	64,655,764
Accounts Receivable, Net	5,696,181	5,472,194
Loans Receivable, Net	14,256,397	15,235,429
Other Receivables	340,562	309,496
Other Assets	248,261	373,610
Land, Buildings and Equipment, Net	11,324,212	10,926,120
Bond Issue Costs, Net	154,131	160,509
<b>Total Assets</b>	<u>105,818,998</u>	<u>107,778,101</u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts Payable and Accrued Expenses	11,664,455	13,301,140
Deferred Revenue	1,856,824	2,092,958
Diocesan Expansion Fund Deposits Payable	44,865,146	42,077,195
Deferred Tuition and Fees	5,791,841	6,262,386
Annuities Payable	3,951,434	4,108,710
Funds Held For Others	1,886,490	1,636,438
Other Liabilities	72,200	-
Bonds Payable	2,945,000	3,050,000
<b>Total</b>	<u>73,033,390</u>	<u>72,528,827</u>

**Net Assets**

Unrestricted	(5,109,025)	(4,245,743)
Unrestricted - Designated:		
Diocesan Expansion Fund	6,163,356	5,735,401
Other	1,827,160	2,007,503
<b>Total Unrestricted</b>	<u>2,881,491</u>	<u>3,497,161</u>
Temporarily Restricted	28,447,869	30,295,865
Permanently Restricted	1,456,248	1,456,248
<b>Total</b>	<u>32,785,608</u>	<u>35,249,274</u>
<b>Total Liabilities and Net Assets</b>	<u>105,818,998</u>	<u>107,778,101</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, 2008 AND 2007 (RESTATED)**

	2008			2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>							
Contributions:							
Partners in Charity		4,893,101			4,801,840		4,801,840
Bequests	200,088			50,000			50,000
Tuition and Fees	15,946,547			15,530,656			15,530,656
Cemetery Fees	1,102,987	59,974		1,104,399	49,210		1,153,609
Central Administration:							
Cathedraticum	2,342,855			2,194,691			2,194,691
Priest Retirement Assessments	1,257,332			727,992			727,992
Insurance Program, Net	811,098			447,601			447,601
Investments:							
Investment Income	2,253,850	1,504,953		2,284,987	636,020		2,921,007
Gain (Loss) on Investments	(39,788)	(18,393)		246,538	91,860		338,398
Unrealized Gain (Loss) on Investments	(1,187,552)	(1,994,943)		975,116	2,121,854		3,096,970
Change in Value of Interest Rate Swap Obligation	(72,200)						
Gain (Loss) on Property Sales	140,491			70,099			70,099
Other Revenues, Expenses	(295,610)	279,507		(317,496)	280,152		(37,344)
Restricted Funds Released				120,922			120,922
Support of Ministries and Education	4,801,840	(6,572,195)		4,726,342	(6,528,677)		(6,528,677)
Cemetery Improvements	187,652			147,138			147,138
Capital Campaign Commitments	950,682			1,068,569			1,068,569
Donor Designated Support of Ministries	70,978			25,072			25,072
Endowment Commitments	556,602			561,556			561,556
<b>Total</b>	<u>29,027,852</u>	<u>(1,847,996)</u>	<u>-</u>	<u>29,964,182</u>	<u>1,452,259</u>	<u>-</u>	<u>31,416,441</u>

(Continued ...)

**ROMAN CATHOLIC BISHOP OF WORCESTER  
(A CORPORATION SOLE)  
COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)  
FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007 (RESTATED)**

	2008			2007			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>Expenses</b>							
Programs:							
Social Service Programs							
Priestly Care	1,384,971			1,362,018			1,362,018
Religious Development	2,938,235			2,767,603			2,767,603
Education	601,713			440,638			440,638
Diocesan Cemeteries	16,336,164			15,738,915			15,738,915
Communications	1,408,414			1,325,599			1,325,599
Diocesan Expansion Fund:	182,465			124,448			124,448
Interest on Deposits	2,826,100			2,969,418			2,969,418
General Administration	1,887,857			1,896,971			1,896,971
Provision for Doubtful Accounts	200,000			710,000			710,000
Use of Designated Funds	299,341						
Capital Campaign Commitments	950,682			1,068,569			1,068,569
Use of Restricted Funds as Designated	70,978			25,072			25,072
Annuity and Endowment Expenses	556,602			561,556			561,556
<b>Total</b>	<u>29,643,522</u>	<u>-</u>	<u>-</u>	<u>28,990,807</u>	<u>-</u>	<u>-</u>	<u>28,990,807</u>
<b>Increase (Decrease) in Net Assets (as Restated for 2007)</b>	<u>(615,670)</u>	<u>(1,847,996)</u>	<u>-</u>	<u>973,375</u>	<u>1,452,259</u>	<u>-</u>	<u>2,425,634</u>
<b>Net Assets, Beginning, as Originally Reported</b>	3,497,161	30,295,865	1,456,248	12,518,804	28,843,606	1,456,248	42,818,658
<b>Prior Period Adjustment</b>				<u>(9,995,018)</u>			<u>(9,995,018)</u>
<b>Net Assets Beginning, as Restated</b>	<u>3,497,161</u>	<u>30,295,865</u>	<u>1,456,248</u>	<u>2,523,786</u>	<u>28,843,606</u>	<u>1,456,248</u>	<u>32,823,640</u>
<b>Net Assets, Ending</b>	<u>2,881,491</u>	<u>28,447,869</u>	<u>1,456,248</u>	<u>3,497,161</u>	<u>30,295,865</u>	<u>1,456,248</u>	<u>35,249,274</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, 2008 AND 2007 (RESTATED)**

**INCREASE (DECREASE) IN CASH**

	2008	2007
<b>Cash Flows from Operating Activities</b>		
Increase (Decrease) in Net Assets	<u>(2,463,666)</u>	<u>2,425,634</u>
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Depreciation Expense	363,539	344,328
Amortization of Bond Issue Costs	6,378	6,378
Investment Gains (Losses)	3,240,676	(3,054,415)
(Increase) Decrease in Accounts Receivable, Net	(223,987)	137,494
(Increase) Decrease in Loans Receivable, Net	979,032	(528,386)
Decrease in Pledges Receivable, Net	-	314,943
(Increase) Decrease in Other Receivables	(31,066)	82,738
Decrease in Other Assets	125,349	51,328
Increase (Decrease) in Accounts Payable and Accrued Expenses	(1,636,685)	543,507
Decrease in Deferred Revenue	(236,134)	(24,282)
Increase (Decrease) in Diocesan Expansion Fund Deposits Payable	2,787,951	(7,021,277)
Decrease in Annuities Payable	(157,276)	(182,265)
Decrease in Deferred Tuition and Fees	(470,545)	(131,289)
Increase (Decrease) in Funds Held For Others	250,052	(7,354)
Increase in Other Liabilities	<u>72,200</u>	<u>-</u>
Total Adjustments	<u>5,069,484</u>	<u>(9,468,552)</u>
Net Cash Provided by (Used in) Operating Activities	<u>2,605,818</u>	<u>(7,042,918)</u>
<b>Cash Flows from Investing Activities</b>		
Increases in Land, Buildings and Equipment	(1,756,421)	(80,323)
Decreases in Land, Buildings and Equipment	994,790	55,483
Net Proceeds (Purchase) of Investments	<u>(416,124)</u>	<u>7,586,413</u>
Net Cash Provided by (Used in) Investing Activities	<u>(1,177,755)</u>	<u>7,561,573</u>
<b>Cash Flows from Financing Activities</b>		
Repayments of Bonds Payable	<u>(105,000)</u>	<u>(100,000)</u>
<b>Net Increase in Cash and Equivalents</b>	1,323,063	418,655
<b>Cash and Equivalents, Beginning</b>	<u>10,644,979</u>	<u>10,226,324</u>
<b>Cash and Equivalents, Ending</b>	<u>11,968,042</u>	<u>10,644,979</u>

See accompanying notes to financial statements.

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2008 AND 2007 (RESTATED)**

**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 St. John's Cemetery and Mausoleum.

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 2,276 in 2008 and 2,508 in 2007.

The Diocese is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**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, 2008 AND 2007 (RESTATED)**

**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 recorded at market value based on quotations from a national securities exchange or at redemption value for nontraded securities.



**ROMAN CATHOLIC BISHOP OF WORCESTER  
(A CORPORATION SOLE)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007 (RESTATED)**

**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:

	<b>2008</b>	<b>2007</b>
Land, Buildings and Improvements	21,811,201	21,074,713
Equipment	1,150,431	1,119,755
Furniture and Fixtures	87,645	87,645
	23,049,277	22,282,113
Less: Accumulated Depreciation	(11,725,065)	(11,355,993)
<b>Net</b>	<b>11,324,212</b>	<b>10,926,120</b>

Bond Issue Costs are stated net of accumulated amortization of \$37,204 and \$30,827 at August 31, 2008 and 2007, 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 \$336,265 in 2008 and \$287,568 in 2007.

**ROMAN CATHOLIC BISHOP OF WORCESTER  
(A CORPORATION SOLE)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007 (RESTATED)**

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

Advertising Costs are expensed as incurred and totaled \$58,319 in 2008 and \$53,922 in 2007.

Certain reclassifications have been made to the 2007 financial statements to conform them to the 2008 presentation.

**Note 3. Prior Period Adjustment**

The Diocese did not previously record depreciation expense on its buildings and equipment. In 2008, the Diocese adopted the policy to record this depreciation expense. Net Assets at September 1, 2006 and Increase in Net Assets for 2007 have been restated principally to record prior years' accumulated depreciation and depreciation expense for 2007. The effects of the restatements were to reduce net assets at September 1, 2006 by \$9,995,018 and to reduce the 2007 Increase in Net Assets by \$344,328.

**Note 4. Accounts and Loans Receivables**

Accounts Receivable are stated net of an allowance for doubtful parish assessments of \$1,328,231 and \$1,021,967 at August 31, 2008 and 2007, respectively. Loans Receivable are stated net of an allowance for doubtful loans of \$719,940 at August 31, 2008 and 2007.

**Note 5. Investments**

Investments consist of domestic and foreign stocks, U.S. Government and corporate debt securities and money market funds. A summary of cost and market values of investments at August 31, 2008 and 2007 is as follows:

	<b>2008</b>	
	<b>Cost</b>	<b>Market Value</b>
Preferred Stocks	1,250,000	1,042,499
Domestic Corporate Stocks	18,724,958	19,904,809
Foreign Corporate Stocks	4,094,041	7,884,001
U.S. Government Debt Securities	7,172,477	7,166,486
Corporate Debt Securities	25,994,820	25,281,960
Money Market Funds	551,457	551,457
<b>Total</b>	<b>57,787,753</b>	<b>61,831,212</b>

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2008 AND 2007 (RESTATED)**

**Note 5. Investments (cont.)**

	<b>2007</b>	
	<b>Cost</b>	<b>Market Value</b>
Preferred Stocks	501,323	495,000
Domestic Corporate Stocks	18,890,276	22,463,029
Foreign Corporate Stocks	4,099,164	9,236,266
U.S. Government Debt Securities	15,258,223	15,160,982
Corporate Debt Securities	17,525,569	16,774,560
Money Market Funds	525,927	525,927
<b>Total</b>	<u>56,800,482</u>	<u>64,655,764</u>

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 statements of financial position.

**Note 6. 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 \$350,000; 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 \$236,148 in 2008 and \$223,210 in 2007.

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2008 AND 2007 (RESTATED)**

**Note 7. 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, 2008, interest at 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 \$14,976,337 and \$15,955,369 at August 31, 2008 and 2007, respectively.

Loans totaling \$3,333,528 and \$3,381,521 as of August 31, 2008 and 2007, 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, 2008 and 2007 was approximately \$81,501 and \$58,201, respectively.

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

	<b>2008</b>	<b>2007</b>
Cash and Cash Equivalents	4,068,572	2,730,290
Investments	18,788,432	19,467,869
Receivables, Net	39,018,279	35,968,817
	<hr/>	<hr/>
Total Assets	61,875,283	58,166,976
Deposits Payable	(55,711,927)	(52,431,575)
	<hr/>	<hr/>
<b>Fund Balance/Net Assets</b>	<b>6,163,356</b>	<b>5,735,401</b>
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**ROMAN CATHOLIC BISHOP OF WORCESTER  
(A CORPORATION SOLE)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007 (RESTATED)**

**Note 8. 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, 2008. 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 \$3,951,434 and \$4,108,710 at August 31, 2008 and 2007, 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 \$157,276 in 2008 and \$182,265 in 2007 and is reported as revenue in the accompanying Statements of Activities.

**Note 9. 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:

<b>Due October 1</b>	<b>Amount</b>
2009	105,000
2010	110,000
2011	110,000
2012	110,000
2013	110,000
Thereafter	<u>2,400,000</u>
<b>Total</b>	<u><u>2,945,000</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, 2008, the rate was approximately 1.9%.

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2008 AND 2007 (RESTATED)**

**Note 9. Bonds Payable (cont.)**

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

Year Ending	Principal on Sinking Fund Installments
2009	105,000
2010	105,833
2011	110,000
2012	110,000
2013	110,000
<b>Total</b>	<b>540,833</b>

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 \$100,069 in 2008 and \$103,338 in 2007.

**Note 10. 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 \$921,785 in fiscal year 2008 and \$1,070,000 in 2007. Each priest received a stipend of \$1,697 per month during 2008 and \$1,642 in 2007. The total annual payment for these years was \$1,313,820 in fiscal year 2008 and \$1,332,317 in fiscal year 2007.

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, 2008 AND 2007 (RESTATED)**

**Note 10. 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 11. Lay Employees' Pension Plan**

The Diocese provides a pension plan which covers all eligible lay people employed by the Diocesan Central Administration, St. John's Cemetery and Mausoleum, 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 \$491,141 in 2008 and \$485,821 in 2007.

**Note 12. 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 banks which are in excess of federally insured limits.

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, 2008, the Diocesan Expansion Fund had total open loan commitments outstanding of \$619,933.