

ROMAN CATHOLIC BISHOP OF WORCESTER

(A CORPORATION SOLE)

COMBINED FINANCIAL STATEMENTS

AUGUST 31, 2012 AND 2011

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

Certified Public Accountants

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

December 6, 2012

Most Reverend Robert J. McManus
Roman Catholic Bishop of Worcester

We have audited the accompanying combined statements of financial position of the Roman Catholic Bishop of Worcester (a Corporation Sole) (the "Diocese") as of August 31, 2012 and 2011, 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, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor, Maloney and Company

Certified Public Accountants

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
COMBINED STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2012 AND 2011**

ASSETS

	2012	2011
Cash and Cash Equivalents	13,586,003	11,623,906
Investments	55,588,682	54,596,296
Accounts Receivable, Net	5,031,884	5,451,000
Loans Receivable, Net	14,156,925	15,216,268
Other Receivables	258,146	252,341
Other Assets	239,939	485,221
Land, Buildings and Equipment, Net	10,291,561	10,643,405
Total Assets	<u>99,153,140</u>	<u>98,268,437</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts Payable and Accrued Expenses	12,691,226	12,587,980
Deferred Revenue	2,546,361	2,317,718
Diocesan Expansion Fund Deposits Payable	46,590,619	46,410,507
Deferred Tuition and Fees	3,340,641	3,607,537
Annuities Payable	2,795,066	3,489,725
Funds Held For Others	1,289,020	1,339,313
Total	<u>69,252,933</u>	<u>69,752,780</u>

Net Assets

Unrestricted	1,745,771	1,635,967
Temporarily Restricted	26,698,188	25,423,442
Permanently Restricted	1,456,248	1,456,248
Total	<u>29,900,207</u>	<u>28,515,657</u>

Total Liabilities and Net Assets	<u>99,153,140</u>	<u>98,268,437</u>
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See accompanying notes to financial statements.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and Revenue								
Contributions:								
Partners in Charity		4,835,998		4,835,998		4,724,350		4,724,350
Bequests	330,031			330,031	32,155			32,155
Tuition and Fees	12,288,676			12,288,676	12,644,091			12,644,091
Cemetery Fees	1,051,221	52,076		1,103,297	1,091,970	54,075		1,146,045
Central Administration:								
Cathedraticum	2,516,070			2,516,070	2,091,646			2,091,646
Priest Retirement Assessments	669,340			669,340	654,283			654,283
Insurance Program, Net	471,507			471,507	580,404			580,404
Investments:								
Investment Income	1,860,374	585,426		2,445,800	1,724,493	505,597		2,230,090
Gain on Investments	149,717	44,460		194,177	582,576	256,060		838,636
Unrealized Gain on Investments	575,499	1,062,831		1,638,330	499,732	1,507,944		2,007,676
Other Revenues	222,701	705,714		928,415	100,939	169,219		270,158
Use of Funds as Designated								
Restricted Funds Released		(6,011,759)		(6,011,759)		(6,698,357)		(6,698,357)
Support of Ministries and Education	4,724,350			4,724,350	4,807,782			4,807,782
Cemetery Improvements	87,972			87,972	124,130			124,130
Capital Campaign Commitments	597,980			597,980	1,114,308			1,114,308
Donor Designated Support of Ministries	96,284			96,284	138,002			138,002
Endowment Commitments	505,173			505,173	514,135			514,135
Total	26,146,895	1,274,746	-	27,421,641	26,700,646	518,888	-	27,219,534

(Continued . . .)

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Expenses								
Programs:								
Social Service Programs	1,058,101			1,058,101	1,001,560			1,001,560
Priestly Care	2,971,444			2,971,444	3,097,800			3,097,800
Religious Development	823,597			823,597	951,266			951,266
Education	13,197,629			13,197,629	13,485,002			13,485,002
Diocesan Cemeteries	1,243,164			1,243,164	1,348,898			1,348,898
Communications	237,447			237,447	242,958			242,958
Diocesan Expansion Fund:								
Interest on Deposits	1,569,087			1,569,087	2,123,694			2,123,694
General Administration	2,076,484			2,076,484	2,300,517			2,300,517
Provision for Doubtful Accounts	1,160,000			1,160,000	380,000			380,000
Capital Campaign Commitments	597,980			597,980	1,114,308			1,114,308
Use of Restricted Funds as Designated	96,284			96,284	138,002			138,002
Annuity and Endowment Expenses	505,173			505,173	514,135			514,135
Other	500,701			500,701	318,196			318,196
Total	26,037,091	-	-	26,037,091	27,016,336	-	-	27,016,336
Increase (Decrease) in Net Assets	109,804	1,274,746	-	1,384,550	(315,690)	518,888	-	203,198
Net Assets, Beginning	1,635,967	25,423,442	1,456,248	28,515,657	1,951,657	24,904,554	1,456,248	28,312,459
Net Assets, Ending	1,745,771	26,698,188	1,456,248	29,900,207	1,635,967	25,423,442	1,456,248	28,515,657

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, 2012 AND 2011

INCREASE (DECREASE) IN CASH

	2012	2011
Cash Flows from Operating Activities		
Increase in Net Assets	<u>1,384,550</u>	<u>203,198</u>
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities:		
Depreciation Expense	464,086	467,874
Investment Gains	(1,832,507)	(2,846,312)
Decrease in Accounts Receivable, Net	419,116	238,876
(Increase) Decrease in Loans Receivable, Net	1,059,343	(1,419,404)
(Increase) Decrease in Other Receivables	(5,805)	67,935
Decrease in Other Assets	245,282	24,058
Increase in Accounts Payable and Accrued Expenses	103,246	1,361,637
Increase in Deferred Revenue	228,643	120,634
Increase in Diocesan Expansion Fund Deposits Payable	180,112	1,385,626
Decrease in Annuities Payable	(694,659)	(151,878)
Decrease in Deferred Tuition and Fees	(266,896)	(784,914)
Increase (Decrease) in Funds Held For Others	(50,293)	65,298
Decrease in Other Liabilities	<u>-</u>	<u>(21,506)</u>
Total Adjustments	<u>(150,332)</u>	<u>(1,492,076)</u>
Net Cash Provided by (Used in) Operating Activities	<u>1,234,218</u>	<u>(1,288,878)</u>
Cash Flows from Investing Activities		
Net Decreases in Land, Buildings and Equipment	16,596	29,504
Purchases of Land, Buildings and Equipment	(128,838)	-
Net Sale of Investments	<u>840,121</u>	<u>6,032,086</u>
Net Cash Provided by Investing Activities	<u>727,879</u>	<u>6,061,590</u>
Cash Flows from Financing Activities		
Repayments of Bonds Payable	<u>-</u>	<u>(2,735,000)</u>
Net Increase in Cash and Equivalents	1,962,097	2,037,712
Cash and Equivalents, Beginning	<u>11,623,906</u>	<u>9,586,194</u>
Cash and Equivalents, Ending	<u><u>13,586,003</u></u>	<u><u>11,623,906</u></u>

See accompanying notes to financial statements.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

Note 1. Organization

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

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

The Central Catholic Schools include St. Peter-Marian Junior/Senior High School, Holy Name Junior/Senior High School, St. Bernard's High School and St. Peter Elementary School. Total student enrollment was 1,772 in 2012 and 1,875 in 2011.

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 COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

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 COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011**

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:

	2012	2011
Land, Buildings and Improvements	22,678,562	22,613,108
Equipment	1,150,431	1,150,431
Furniture and Fixtures	151,029	87,645
	<hr/>	<hr/>
	23,980,022	23,851,184
Less: Accumulated Depreciation	13,688,461	13,207,779
	<hr/>	<hr/>
Net	<u>10,291,561</u>	<u>10,643,405</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 9). The Diocesan Central Administration provides a pension plan which covers all eligible lay people employed 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 \$302,387 in 2012 and \$521,575 in 2011.

Advertising Costs are expensed as incurred and totaled \$47,963 in 2012 and \$97,269 in 2011.

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 COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

Note 3. Accounts and Loans Receivables

Accounts Receivable are stated net of an allowance for doubtful parish assessments of \$2,794,167 and \$2,373,156 at August 31, 2012 and 2011, respectively. Loans Receivable are stated net of an allowance for doubtful loans of \$3,359,940 and \$2,599,940 at August 31, 2012 and 2011, 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 COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

Note 4. Investments (cont.)

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

	2012		2011	
	Cost	Fair Value	Cost	Fair Value
Level 1				
Money Market Funds	28,825	28,825	28,472	28,472
Government Debt Securities	4,944,161	5,305,800	6,349,763	6,566,338
Domestic Corporate Stock	10,976,177	13,892,580	12,979,886	14,795,106
Foreign Corporate Stock	7,632,710	6,941,273	8,258,004	7,457,810
	<u>23,581,873</u>	<u>26,168,478</u>	<u>27,616,125</u>	<u>28,847,726</u>
Level 2				
Corporate Debt Securities	24,263,756	24,422,654	21,655,449	22,564,087
Preferred Stocks	3,891,894	3,219,438	3,524,093	3,184,483
	<u>28,155,650</u>	<u>27,642,092</u>	<u>25,179,542</u>	<u>25,748,570</u>
Level 3				
Real Estate	<u>1,750,000</u>	<u>1,778,112</u>	<u>-</u>	<u>-</u>
Total	<u><u>53,487,523</u></u>	<u><u>55,588,682</u></u>	<u><u>52,795,667</u></u>	<u><u>54,596,296</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 \$1,638,330 and \$2,007,676 for the years ended August 31, 2012 and 2011, 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 COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

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):

	2012	2011
Balance – Beginning of Year	-	-
Purchases	1,750,000	-
Dividends and Interest	16,426	
Investment Expense	(4,812)	
Total realized and unrealized gains (losses)	<u>16,498</u>	<u>-</u>
Balance – End of Year	<u><u>1,778,112</u></u>	<u><u>-</u></u>

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 \$201,678 in 2012 and \$217,584 in 2011.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

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, 2012, interest at 2.25% is paid on savings accounts, and interest at 5.5% 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 \$17,516,865 and \$17,816,208 at August 31, 2012 and 2011, respectively.

Loans totaling \$3,994,459 and \$4,073,416 as of August 31, 2012 and 2011, 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, 2012 and 2011 was approximately \$101,608 and \$110,292, respectively.

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

	2012	2011
Cash and Cash Equivalents	7,879,059	5,182,734
Investments	18,691,448	17,721,765
Receivables, Net	36,778,531	40,967,629
Total Assets	63,349,038	63,872,128
Deposits Payable	(58,756,366)	(57,772,421)
Fund Balance/Net Assets	<u>4,592,672</u>	<u>6,099,707</u>

**ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011**

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, 2012. 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 \$2,795,066 and \$3,489,725 at August 31, 2012 and 2011, 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 \$694,659 in 2012 and \$151,878 in 2011 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 \$450,000 in fiscal years 2012 and 2011. Each priest received a stipend of \$1,897 per month during 2012 and 2011. The total annual payment for these years was \$1,270,566 in fiscal year 2012 and \$1,251,494 in fiscal year 2011.

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.

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.

ROMAN CATHOLIC BISHOP OF WORCESTER
(A CORPORATION SOLE)
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

Note 9. Lay Employees' Pension Plan

The Diocese provides a pension plan which covers all eligible lay people employed by the Diocesan Central Administration, Diocesan Cemeteries, The Catholic Free Press and the Central Catholic Schools. The plan includes a tax-sheltered annuity program paid entirely by the employee and a group annuity plan paid entirely by the Diocese. The tax-sheltered annuity provision of the plan provides that eligible employees may agree to a reduction in their earnings in an amount not less than 3%, in consideration for which the Diocese agrees to purchase individual annuities which are owned by the employee. Diocesan contributions to the plan totaled \$469,103 in 2012 and \$458,647 in 2011.

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, 2012, the Diocesan Expansion Fund had total open loan commitments outstanding of \$298,872.

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 6, 2012, the date the financial statements were available to be issued.