

Combined Financial Statements and
Report of Independent Certified Public
Accountants

**Chancery Offices of the Roman Catholic
Bishop of Worcester (A Corporation Sole)**

August 31, 2024 and 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Most Reverend Robert J. McManus
Chancery Offices of the Roman Catholic Diocese of Worcester (a Corporation Sole)

Opinion

We have audited the combined financial statements of the Chancery Offices of the Roman Catholic Diocese of Worcester (a Corporation Sole) (the "Diocese"), which comprise the combined statements of financial position as of August 31, 2024 and 2023, and the related combined statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the combined financial statements.

In our opinion, the accompanying combined financial statements present fairly, in all material respects, the financial position of the Diocese as of August 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits of the combined financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Diocese and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Diocese's ability to continue as a going concern for one year after the date the combined financial statements are issued.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The St. Paul schedules of financial position as of August 31, 2024 and 2023 and the St. Paul schedule of activities as of and for the year ended August 31, 2024 (with summarized comparative information for 2023), are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Grant Thornton LLP

Boston, Massachusetts
September 8, 2025

**Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)**

COMBINED STATEMENTS OF FINANCIAL POSITION

August 31,

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 17,836,780	\$ 18,975,308
Investments	112,554,095	99,274,960
Accounts receivable from parishes and others, net	2,632,574	2,146,307
Loans receivable from parishes and others, net	6,757,732	4,501,259
Pledges receivable, net	2,107,449	3,916,081
Other assets	1,087,953	1,028,656
Land, buildings and equipment, net	8,214,499	8,404,055
	<u>151,191,082</u>	<u>138,246,626</u>
Total assets	<u>\$ 151,191,082</u>	<u>\$ 138,246,626</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 701,921	\$ 830,748
Deferred revenue	2,964,767	2,938,795
Deferred tuition and fees revenue	1,890,301	1,810,188
Due to related parties (parishes) - Legacy of Hope	1,754,110	2,737,845
Deposits payable to related parties - Diocesan Expansion Fund	55,901,168	56,569,482
Funds held for others	14,520,212	9,567,065
	<u>77,732,479</u>	<u>74,454,123</u>
Total liabilities	<u>77,732,479</u>	<u>74,454,123</u>
Net assets		
Without donor restrictions		
Designated	14,007,287	13,848,860
Undesignated	6,006,400	1,585,579
	<u>20,013,687</u>	<u>15,434,439</u>
Total net assets without donor restrictions	<u>20,013,687</u>	<u>15,434,439</u>
With donor restrictions	53,444,916	48,358,064
	<u>73,458,603</u>	<u>63,792,503</u>
Total net assets	<u>73,458,603</u>	<u>63,792,503</u>
Total liabilities and net assets	<u>\$ 151,191,082</u>	<u>\$ 138,246,626</u>

The accompanying notes are an integral part of these combined financial statements.

**Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)**

COMBINED STATEMENT OF ACTIVITIES

Year ended August 31, 2024 (with summarized comparative information for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Support and revenue				
Contributions				
Partners in charity	\$ 4,681,164	\$ -	\$ 4,681,164	\$ 4,637,869
Contributions - other	569,412	-	569,412	430,226
Bequests	365,819	418,866	784,685	450,989
Partners in charity - other	1,007,391	-	1,007,391	1,102,609
Central Catholic Schools tuition and fees, net of scholarships	5,381,890	-	5,381,890	4,452,666
Central Catholic Schools- other	512,547	72,609	585,156	1,078,237
Cemetery fees	2,467,429	-	2,467,429	2,232,633
Interest on loans - Diocesan Expansion Fund	341,646	-	341,646	487,761
Allowance recovery - Diocesan Expansion Fund	-	-	-	932,771
Central administration				
Cathedraticum	2,664,130	-	2,664,130	2,010,400
Priest retirement assessments	858,961	-	858,961	900,879
Insurance program fees	1,498,472	-	1,498,472	1,405,933
Investment income	1,869,569	489,308	2,358,877	1,910,566
Other revenue	443,160	-	443,160	156,506
Use of donor restricted funds				
Restricted funds released	-	(1,477,018)	(1,477,018)	(1,447,497)
Support of ministries and education	82,553	-	82,553	44,376
Forward in faith commitments	855,587	-	855,587	978,549
Donor restricted support of ministries	538,877	-	538,877	424,572
Total support and revenues	24,138,607	(496,235)	23,642,372	22,190,045
Expenses				
Programs				
Partners in Charity program expense	4,162,903	-	4,162,903	4,251,741
Priest retirement	2,412,283	-	2,412,283	2,390,280
Diocesan Expansion Fund interest and other expenses	1,646,208	-	1,646,208	1,386,808
St. John Cemetery Group	2,843,854	-	2,843,854	2,783,791
Central Catholic Schools	7,614,155	-	7,614,155	7,643,073
General administration	4,542,310	-	4,542,310	5,088,049
Fundraising	475,093	-	475,093	384,687
Total expenses	23,696,806	-	23,696,806	23,928,429
Change in net assets from operations	441,801	(496,235)	(54,434)	(1,738,384)
Non-operating revenue (expenses)				
Legacy of Hope contributions	50,095	102,680	152,775	480,786
Legacy of Hope fundraising expenses	(50,095)	-	(50,095)	(116,627)
Change in value of split interest agreements	(9,531)	-	(9,531)	644,587
Net investment income (loss) less amounts appropriated to operations	4,146,978	5,480,407	9,627,385	3,685,725
Total non-operating revenue (expense)	4,137,447	5,583,087	9,720,534	4,694,471
CHANGE IN NET ASSETS	4,579,248	5,086,852	9,666,100	2,956,087
Net assets, beginning	15,434,439	48,358,064	63,792,503	60,836,416
Net assets, ending	\$ 20,013,687	\$ 53,444,916	\$ 73,458,603	\$ 63,792,503

The accompanying notes are an integral part of this combined financial statement.

**Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)**

COMBINED STATEMENT OF ACTIVITIES

Year ended August 31, 2023

	Without Donor Restrictions	With Donor Restrictions	2023 Total
Support and revenue			
Contributions			
Partners in charity	\$ 4,637,869	\$ -	\$ 4,637,869
Contributions - other	430,226	-	430,226
Bequests	450,989	-	450,989
Partners in charity - other	1,102,609	-	1,102,609
Central Catholic Schools tuition and fees, net of scholarships	4,452,666	-	4,452,666
Central Catholic Schools- other	786,209	292,028	1,078,237
Cemetery fees	2,232,633	-	2,232,633
Interest on loans - Diocesan Expansion Fund	487,761	-	487,761
Allowance recovery - Diocesan Expansion Fund	932,771	-	932,771
Central administration			
Cathedraticum	2,010,400	-	2,010,400
Priest retirement assessments	900,879	-	900,879
Insurance program fees	1,405,933	-	1,405,933
Investment income	1,537,806	372,760	1,910,566
Other revenue	156,506	-	156,506
Use of donor restricted funds			
Restricted funds released	-	(1,447,497)	(1,447,497)
Support of ministries and education	44,376	-	44,376
Forward in faith commitments	978,549	-	978,549
Donor restricted support of ministries	424,572	-	424,572
	<u>22,972,754</u>	<u>(782,709)</u>	<u>22,190,045</u>
Expenses			
Programs			
Partners in Charity program expense	4,251,741	-	4,251,741
Priest retirement	2,390,280	-	2,390,280
Diocesan Expansion Fund interest and other expenses	1,386,808	-	1,386,808
St. John Cemetery Group	2,783,791	-	2,783,791
Central Catholic Schools	7,643,073	-	7,643,073
General administration	5,088,049	-	5,088,049
Fundraising	384,687	-	384,687
	<u>23,928,429</u>	<u>-</u>	<u>23,928,429</u>
Change in net assets from operations	<u>(955,675)</u>	<u>(782,709)</u>	<u>(1,738,384)</u>
Non-operating revenue (expenses)			
Legacy of Hope contributions	116,627	364,159	480,786
Legacy of Hope fundraising expenses	(116,627)	-	(116,627)
Change in value of split interest agreements	644,587	-	644,587
Net investment income (loss) less amounts appropriated to operations	<u>1,297,957</u>	<u>2,387,768</u>	<u>3,685,725</u>
Total non-operating revenue (expense)	<u>1,942,544</u>	<u>2,751,927</u>	<u>4,694,471</u>
CHANGE IN NET ASSETS	986,869	1,969,218	2,956,087
Net assets, beginning	<u>14,447,570</u>	<u>46,388,846</u>	<u>60,836,416</u>
Net assets, ending	<u><u>\$ 15,434,439</u></u>	<u><u>\$ 48,358,064</u></u>	<u><u>\$ 63,792,503</u></u>

The accompanying notes are an integral part of this combined financial statement.

**Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)**

COMBINED STATEMENTS OF CASH FLOWS

Years ended August 31,

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 9,666,100	\$ 2,956,087
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	489,419	400,041
Investment (gains) losses	(8,391,865)	(3,174,475)
Provision for bad debt expense	125,000	193,774
Provision for loan losses	-	120,000
Recovery of provision for uncollectible pledges	(243,783)	(841,892)
Allowance recovery - Diocesan Expansion Fund	-	(932,771)
Contributions restricted in perpetuity	-	(875,409)
Changes in certain assets and liabilities:		
(Increase) in accounts receivable	(611,267)	(376,120)
Decrease in pledges receivable	2,052,415	4,431,203
(Increase) in other assets	(59,297)	(55,301)
(Decrease) increase in accounts payable and accrued expenses	(128,827)	(1,508,687)
Increase in deferred revenue	25,972	199,099
(Decrease) in Legacy of Hope due to parishes	(983,735)	(1,539,602)
Increase (Decrease) in deferred tuition and fees	80,113	(92,528)
Increase in funds held for others	4,953,147	1,254,873
Net cash provided by operating activities	<u>6,973,392</u>	<u>158,292</u>
Cash flows from investing activities:		
Purchases of land, buildings and equipment	(299,863)	(586,655)
Purchases of investments	(87,526,405)	(33,022,447)
Proceeds from sales of investments	82,639,135	26,595,598
Loans issued	(2,890,837)	(3,175,089)
Loans repaid	634,364	3,299,249
Net cash (used in) investing activities	<u>(7,443,606)</u>	<u>(6,889,344)</u>
Cash flows from financing activities:		
Contributions restricted in perpetuity	-	875,409
(Decrease) Increase in deposits payable	(668,314)	1,873,844
Net cash (used in)/provided by financing activities	<u>(668,314)</u>	<u>2,749,253</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(1,138,528)</u>	<u>(3,981,799)</u>
Cash and cash equivalents, beginning of year	<u>18,975,308</u>	<u>22,957,107</u>
Cash and cash equivalents, end of year	<u><u>\$ 17,836,780</u></u>	<u><u>\$ 18,975,308</u></u>

The accompanying notes are an integral part of these combined financial statements.

Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2024

	Programs							Subtotal	Legacy of	
	Partners in Charity	Priest Retirement	Diocesan Expansion Fund	St John's Cemetery Group	Central Catholic Schools	General Administration	Fundraising	Operating Expenses	Hope Campaign	Total
Salary and benefits	\$ 2,672,177	\$ -	\$ -	\$ 1,228,228	\$ 5,998,819	\$ 2,036,727	\$ 284,342	\$ 12,220,293	\$ -	\$ 12,220,293
Retired priests benefits	-	2,316,977	-	-	-	-	-	2,316,977	-	2,316,977
Occupancy	43,457	-	-	445,644	635,533	288,663	530	1,413,827	-	1,413,827
Professional services	71,888	26,572	11,367	776,728	61,621	525,084	1,395	1,474,655	600	1,475,255
Professional development	287,126	-	-	74,381	4,766	43,939	-	410,212	-	410,212
Office/program	521,852	8,484	15,487	220,911	643,079	456,691	187,808	2,054,312	49,495	2,103,807
Grants and other assistance	566,403	-	17,193	8,413	-	17,847	1,018	610,874	-	610,874
Insurance	-	60,250	-	-	-	1,033,826	-	1,094,076	-	1,094,076
Other	-	-	-	-	-	10,000	-	10,000	-	10,000
Total expenses before depreciation and interest expense	4,162,903	2,412,283	44,047	2,754,305	7,343,818	4,412,777	475,093	21,605,226	50,095	21,655,321
Depreciation	-	-	-	89,549	270,337	129,533	-	489,419	-	489,419
Interest	-	-	1,602,161	-	-	-	-	1,602,161	-	1,602,161
Total expenses	<u>\$ 4,162,903</u>	<u>\$ 2,412,283</u>	<u>\$ 1,646,208</u>	<u>\$ 2,843,854</u>	<u>\$ 7,614,155</u>	<u>\$ 4,542,310</u>	<u>\$ 475,093</u>	<u>\$ 23,696,806</u>	<u>\$ 50,095</u>	<u>\$ 23,746,901</u>

The accompanying notes are an integral part of this combined financial statement.

Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

Year ended August 31, 2023

	Programs									
	Partners in Charity	Priest Retirement	Diocesan Expansion Fund	St John's Cemetery Group	Central Catholic Schools	General Administration	Fundraising	Subtotal Operating Expenses	Legacy of Hope Campaign	Total
Salary and benefits	\$ 2,729,071	\$ -	\$ -	\$ 1,154,094	\$ 5,837,537	\$ 2,126,247	\$ 224,235	\$ 12,071,184	\$ 50,343	\$ 12,121,527
Retired priests benefits	-	2,300,224	-	-	-	-	-	2,300,224	-	2,300,224
Occupancy	55,054	-	-	444,479	841,209	293,873	9,490	1,644,105	3,132	1,647,237
Professional services	96,073	17,520	15,000	800,131	83,118	649,667	1,481	1,662,990	3,100	1,666,090
Professional development	274,958	-	-	84,909	4,456	48,116	21,141	433,580	115	433,695
Office/program	611,485	9,224	126,451	208,534	687,101	521,173	127,840	2,291,808	59,595	2,351,403
Grants and other assistance	485,100	-	30,493	4,653	-	98,251	500	618,997	342	619,339
Insurance	-	63,312	-	-	-	840,252	-	903,564	-	903,564
Other	-	-	-	-	-	387,072	-	387,072	-	387,072
Total expenses before depreciation and interest expense	4,251,741	2,390,280	171,944	2,696,800	7,453,421	4,964,651	384,687	22,313,524	116,627	22,430,151
Depreciation	-	-	-	86,991	189,652	123,398	-	400,041	-	400,041
Interest	-	-	1,214,864	-	-	-	-	1,214,864	-	1,214,864
Total expenses	<u>\$ 4,251,741</u>	<u>\$ 2,390,280</u>	<u>\$ 1,386,808</u>	<u>\$ 2,783,791</u>	<u>\$ 7,643,073</u>	<u>\$ 5,088,049</u>	<u>\$ 384,687</u>	<u>\$ 23,928,429</u>	<u>\$ 116,627</u>	<u>\$ 24,045,056</u>

The accompanying notes are an integral part of this combined financial statement.

**Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)**

NOTES TO COMBINED FINANCIAL STATEMENTS

August 31, 2024 and 2023

NOTE 1 - ORGANIZATION

The accompanying combined financial statements include the administrative and program offices and departments of the Diocese of Worcester (the "Diocese") which are either located at the Chancery offices or come under its direct jurisdiction. The financial statements also include the accounts of the Partners in Charity campaign, the Diocesan Expansion Fund, the Central Catholic Schools, the St. John's Cemetery Group, the Legacy of Hope campaign, and the Monsignor Griffin Fund. The Central Catholic Schools include St. Paul's Diocesan Jr/Sr High School and St. Peter Elementary School. The St. John's Cemetery Group encompasses thirteen Catholic cemeteries whose operations are the responsibility of the Diocese.

The accompanying combined financial statements do not reflect nor include information relating to other activities of the Diocese of Worcester such as Diocesan parishes, parish cemeteries and schools, and Catholic Charities. The Chancery Offices administer the various employee benefit programs of the Diocese, including the retirement plans, medical and dental insurance programs, and other purchased insurance coverages in addition to providing administrative, legal, and human resources support as needed. In addition, the Chancery Offices provides loans to and holds deposits of excess funds for the parishes, schools, cemeteries and other affiliated agencies and entities of the Diocese. Substantially all program fee revenue is derived from parishes, schools, cemeteries and other affiliated agencies and entities of the Diocese.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying combined financial statements of the Diocese have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). All intercompany balances and transactions have been eliminated in the preparation of the combined statements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. GAAP. 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. Significant estimates made by management include the allowance for losses on accounts receivable, loans receivable and pledges receivable, fair value of certain investments, accruals for insurance programs and loss contingencies, and the allocation of common expenses by program functions. Actual results could vary from the estimates reported.

Basis of Presentation

The Diocese reports two classes of net assets and the changes in those net assets in the statements of financial position and statements of activities, respectively. The two classes of net assets - net assets without donor restriction and net assets with donor restrictions - are based on the existence or absence of donor-imposed restrictions. The two classifications are defined as follows:

Net Assets Without Donor Restrictions - Net assets and contributions that are not restricted by the donor or for which restrictions have expired. These net assets without donor restrictions may be designated for a specific purpose by action of the Bishop or may otherwise be limited by contractual agreements with outside parties. Designated net assets without donor restrictions consists principally of Partners in Charity funding that has been designated for expenditure in the following fiscal year. As it relates to cemetery operations there are net assets set aside to fund perpetual care, as required contractually and by state law, which are

**Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)**

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

considered assets whose use is limited. Net assets whose use is limited were \$3,953,274 and \$3,725,627 at August 31, 2024 and 2023, respectively.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that permit the Diocese to use or expend the donated assets as specified and that are satisfied by either the passage of time or by actions of the Diocese. Also included are the net assets that are subject to donor-imposed stipulations that they be maintained permanently by the Diocese. Generally, the donors of these assets permit the Diocese to use, all or in part, the income earned on related investments for general or specific purposes.

Cash and Cash Equivalents

The Diocese considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Cash and cash equivalents held by investment managers are considered part of investments.

The Diocese maintains its cash and cash equivalents in various financial institutions in accounts, which at times, may exceed federally insured limits. Management monitors the risks associated with these accounts and the Diocese has not experienced any losses in such accounts.

Investments

Investments are stated at fair value based on quotations from a national securities exchange or based upon estimated net asset value for non-traded securities. Unrealized gains and losses are allocated to net assets with and without donor restrictions.

The Diocese's investments are pooled to facilitate their management. Investment income is allocated among net assets with and without donor restrictions, based on donor restrictions, or in the absence thereof, using the percentage of investment balances. Investment income (dividends and interest income) is recognized as operating revenue. Realized and unrealized gains and losses are recorded as nonoperating income.

Dividends, interest, and gains/losses on investments are reported as a change in net assets with donor restrictions if the terms of the underlying gift require that they be added to principal. Income and net gains on other funds are reported as change in net assets without donor restrictions.

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 combined statement of financial position.

Accounts Receivable

The Diocese has accounts and interest receivables from parishes and schools related to collections for Cathedraticum, advances and premiums for general insurance. An allowance for receivables is established for all accounts considered doubtful as to collection based on management's review of past due accounts.

Loans Receivable

The Diocese has outstanding loans to certain parishes for capital improvements and other needs. Loans receivable represent unsecured term or demand loans and related unpaid interest, and carry an average interest rate of 3.84% and 5.57% for the years ended August 31, 2024 and 2023, respectively. An allowance

**Chancery Offices of the Roman Catholic Bishop of Worcester
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

for loans receivable is established for loans considered doubtful as to collection based upon management's review of past due accounts.

Pledges Receivable

Pledges receivable, less an appropriate allowance, are recorded at estimated net present value.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at acquisition cost, or fair market value at date of receipt, if donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. The Diocese capitalizes property with a useful life of more than one year and a cost of \$10,000 or more.

When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred. Costs associated with construction in progress are held until the asset is placed in service, at which point the asset is transferred out of construction in progress and depreciated over its estimated useful life.

Deferred Revenue (Including Tuition and Fees)

Deferred revenue and support represents payments received for tuition, fees and support for program services to be provided in future periods and other revenues received but not earned in the current fiscal year. Funds received in advance of internment or entombment is recorded as deferred revenue until internment or entombment occurs.

Due to Related Parties (Parishes) - Legacy of Hope

Certain amounts raised in connection with the Legacy of Hope campaign are collected on behalf of related parties, primarily parishes. Amounts collected by the Diocese that will be remitted to parishes and other related parties are reported as amounts due to related parties (parishes) - Legacy of Hope. The amounts collected for the benefit of parishes are not reported as revenue because the Diocese does not have variance power related to those collections.

Deposits Payable to Related Parties - Diocesan Expansion Fund

The Diocese operates a central financing program, the Diocesan Expansion Fund ("DEF"), as an independent 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 DEF. Deposits payable to related parties - Diocesan Expansion Fund represents amounts on deposit from related parties, primarily parishes.

Funds Held for Others

Custodian funds are held as assets and offsetting liabilities. As of August 31, 2024 and 2023, such funds consist primarily of amounts for the pension plan for the lay employees of the parishes of the Diocese of Worcester, Diocesan collections, parish endowments and clergy benefits, among others. Refer to Notes 10 and 14 for further discussion of the pension plan for the lay employees of the parishes of the Diocese.

**Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)**

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

Fair Value Measurements

U.S. GAAP has 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.

In determining fair value, the Diocese uses various valuation approaches. U.S. GAAP 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.

Revenue Recognition

Revenues are broadly categorized as follows:

Contributions: Unconditional promises to give cash and other assets to the Diocese are reported at fair value at the date the promise is verifiably committed. Conditional promises to give and indications of intentions to give are reported at their fair value at the date the actual gift is received, or the conditional promise becomes unconditional. Gifts are reported as revenue with donor restrictions 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, net assets with donor restrictions are released to net assets without donor restrictions in the combined statements of activities. Contributions where the restrictions are met in the year of contribution are recorded as unrestricted contribution revenue. Net assets are typically restricted for various operating activities of the Diocese, such as the promotion of educational and evangelical activities. Net assets with donor restrictions that are restricted in perpetuity 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 general or specific purposes.

Contributions to be received after one year are discounted at a risk adjusted rate of 3% in 2024 and 2023, commensurate with the duration of future payments. Amortization of the discount is recorded as contribution revenue. An allowance is made for uncollectible contributions based upon management's judgement in its review of the creditworthiness of the donors.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

Partners in Charity is an annual appeal that provides support for various programs and agencies. Accordingly, the funds are accounted for as not subject to donor restrictions. Certain of these gifts are further restricted by the donors.

Legacy of Hope is a capital campaign focused on parish support, priest retirement and custodial care, Catholic education, parish-based charitable outreach, parish-based evangelization, and renovation of the Cathedral of St. Paul. Diocesan parishes will benefit from the campaign with a minimum of 40% of funds collected returning to them as a parish share. The parish share totaled \$1,754,110 and \$2,737,845 for the years ended August 31, 2024 and 2023, respectively, and is not included in the statements of activities, but rather in the due to related parties (parishes) - Legacy of Hope liability.

Central Catholic Schools Tuition and Fees: Tuition and fee revenue is recognized over a period of time consistent with the academic year to which they relate. The Diocese Central Catholic Schools awards scholarships to a number of students each year based on need or donor-imposed designations. These awards are recorded as a reduction of Central Catholic Schools Tuition and Fees revenue. The scholarships totaled \$638,140 and \$722,925 for the years ended August 31, 2024 and 2023, respectively.

Cemetery Fees: Sales of graves and crypts are recorded when interment agreements are signed. The cost of graves and crypts are expensed when the sales are recognized. Twenty percent (20%) of the proceeds for cemeteries sales, thirty percent (30%) for mausoleum sales, and ten percent (10%) for columbarium sales from the sale of crypts and lot sales are set aside for perpetual care and reported as perpetual care income at the time of receipt and deposited into an interest-bearing account at the end of every month.

Central Administration:

- Cathedralicum represents assessments on all Diocesan parishes of 11% and 8.5% of their unrestricted support for the years ended August 31, 2024 and 2023, respectively. These funds are used by the Diocese to carry on the mission of the Church, pay the operating expenses of the Diocese Chancery Office, provide support for priest retirement programs, provide for donations to Church-related organizations, and to fund extraordinary expenses.
- Annual fees of \$6,500 per active priest are assessed to support the operating budget of the priest retirement program.
- Premiums are charged for property/liability and medical programs. Insurance premiums charged by the Diocese are principally the result of the Diocese having implemented a partially self-insured central insurance program. Fees and premiums are recognized as revenue as they are earned.

Expense Recognition

The costs of program and supporting services activities have been summarized on a functional basis in the combined statements of activities. The combined statements of functional expenses presents the natural classification detail of expenses by function. Certain costs are attributed to more than one program or supporting function and, therefore, require allocation among the programs and supporting services benefited. Occupancy costs are allocated on a square footage basis. Most personnel costs, office expenses, professional services, travel and professional development costs, and grants and other assistance are identified with a specific program or supporting function at the time they are incurred and are reported accordingly. However, some of these expenses require allocation, which is done annually on the basis of time and effort.

**Chancery Offices of the Roman Catholic Bishop of Worcester
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

The Diocese provides support to various Diocesan parishes, schools, programs and agencies. The expenditures related to support are recognized at the time the conditions associated with the subsidies are satisfied.

Operating and Nonoperating Activities

The Combined Statements of Activities report the change in net assets from operating and non-operating activities. Non-operating activities consist of investment income, net of amounts appropriated for operations, non-operating contributions, gain or loss on sale of property and equipment, and changes in the value of split interest agreements. All other activities are reported as operating.

Income Taxes

The Diocese is a religious organization as described in Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"), and is generally exempt from income taxes pursuant to Section 501(a) of the Code. The Diocese is included in the United States Conference of Catholic Bishops ("USCCB") group ruling and listed in the Official Catholic Directory. The Diocese is required to assess uncertain tax positions and has determined that there were no such positions that are material to the financial statements.

Reclassifications

Certain items in the 2023 financial statements have been reclassified to correspond to the presentation in the 2024 financial statements. The reclassifications had no effect on net assets or the change in net assets for 2023.

**Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)**

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following table reflects the Diocese's financial assets at August 31 reduced by amounts not available for general use within one year of the combined statement of financial position date because of contractual or donor-imposed restrictions. These financial assets available for general expenditure, such as without donor restrictions or other restrictions limiting their use, within one year of the combined statement of financial position include the following at August 31:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 17,836,780	\$ 18,975,308
Investments	112,554,095	99,274,960
Accounts receivable, net	2,632,574	2,146,307
Other receivables	<u>356,251</u>	<u>260,620</u>
 Total financial assets available within one year	 133,379,700	 120,657,195
 Less: financial assets with contractual or donor-imposed restrictions		
Diocesan expansion fund deposits payable	55,901,168	56,569,482
Donor purpose restricted net assets	53,444,916	46,877,591
Funds limited to use - St. John's Cemetery	3,953,274	3,725,627
Funds held for others	<u>14,520,212</u>	<u>9,567,065</u>
 Total financial assets with contractual or donor-imposed restrictions	 <u>127,819,570</u>	 <u>116,739,765</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 5,560,130</u>	 <u>\$ 3,917,430</u>

The Diocese manages its liquidity by developing and adopting annual operating and capital budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they come due. Actual performance is reported and monitored in comparison to the budgets. Adjustments are made to plan as needed to ensure adequate liquidity. As part of the liquidity management plan, cash balances are invested in short-term investments. Requests to withdraw money from accounts on deposit greater than \$10,000 are subject to review by management.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

NOTE 4 - INVESTMENTS

The following is a summary of investments as of August 31:

	2024	2023
Level 1		
Money market funds	\$ 5,289,967	\$ 1,398,852
Certificates of deposit	2,118,441	3,014,895
Government debt securities	37,128,553	33,953,656
Domestic corporate stock	27,515,260	24,010,335
Foreign corporate stock	25,786,419	22,118,785
Total stocks and bonds	<u>97,838,640</u>	<u>84,496,523</u>
Level 2		
Corporate debt securities	<u>11,910,975</u>	<u>11,455,987</u>
Investments at net asset value (NAV)		
Real estate limited partnership	<u>2,804,480</u>	<u>3,322,450</u>
Total	<u>\$ 112,554,095</u>	<u>\$ 99,274,960</u>

The real estate investment partnership measured at NAV represents an investment in 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. 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 with 60 days' notice from quarter end to the General Partner and restricted to the availability of funds on the next valuation date.

NOTE 5 - ACCOUNTS, LOANS AND PLEDGES RECEIVABLE

Accounts Receivable, Net

Accounts receivable consisted of the following at August 31 and are due from various related organizations:

	2024	2023
Accounts receivable	\$ 7,030,799	\$ 6,493,525
Less: allowance for uncollectible accounts	<u>(4,398,225)</u>	<u>(4,347,218)</u>
Accounts receivable, net	<u>\$ 2,632,574</u>	<u>\$ 2,146,307</u>

**Chancery Offices of the Roman Catholic Bishop of Worcester
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

Changes in the allowance for doubtful accounts were as follows for the year ended August 31:

	2024	2023
Balance at beginning of year	\$ 4,347,218	\$ 4,250,026
Provision for uncollectible accounts	125,000	193,774
Write-offs	(73,993)	(96,582)
Balance at end of year	<u>\$ 4,398,225</u>	<u>\$ 4,347,218</u>

Loans Receivable, Net

Loans receivable consisted of the following at August 31 and are due from various related organizations:

	2024	2023
Loans receivable	\$ 10,373,106	\$ 8,116,633
Less: allowance for loan losses	(3,615,374)	(3,615,374)
Loans receivable, net	<u>\$ 6,757,732</u>	<u>\$ 4,501,259</u>

Accrued interest on loans receivable is included in the loan receivable balance above. Loans totaling \$200,396 and \$451,616 as of August 31, 2024 and 2023, respectively, were accounted for on a non-accrual of interest basis.

Changes in the allowance for loan losses were as follows for the year ended August 31:

	2024	2023
Balance at beginning of year	\$ 3,615,374	\$ 4,428,145
Allowance recovery	-	(932,771)
Provision for loan losses	-	120,000
Balance at end of year	<u>\$ 3,615,374</u>	<u>\$ 3,615,374</u>

The Diocese considers loans to be current if the borrower made substantially all loan repayments due during the previous 12-month period. At August 31, the following loan amounts, including accrued interest, were past due:

	1-60 Days Past Due	60-90 Days Past Due	90+ Days Past Due	Total Past Due
2024	\$ -	\$ -	\$ 4,151,209	\$ 4,151,209
2023	\$ -	\$ -	\$ 4,114,828	\$ 4,114,828

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

Pledges Receivable, Net

Pledges receivable consisted of the following at August 31:

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 2,341,908	\$ 2,913,849
Due in one to five years	<u>-</u>	<u>1,480,473</u>
Total	2,341,908	4,394,322
Less: unamortized discount to present value	-	(43,121)
Allowance for uncollectible pledges	<u>(234,459)</u>	<u>(435,120)</u>
Pledges receivable, net	<u><u>\$ 2,107,449</u></u>	<u><u>\$ 3,916,081</u></u>

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment consisted of the following at August 31:

	Estimated Useful Life	<u>2024</u>	<u>2023</u>
Land, buildings and improvements	15-40 years	\$ 20,320,810	\$ 20,320,810
Equipment	10-15 years	1,654,758	1,641,559
Furniture and fixtures	5-7 years	151,029	151,029
Construction in process		<u>305,539</u>	<u>18,875</u>
Total		22,432,136	22,132,273
Less: accumulated depreciation		<u>(14,217,637)</u>	<u>(13,728,218)</u>
Net		<u><u>\$ 8,214,499</u></u>	<u><u>\$ 8,404,055</u></u>

NOTE 7 - DEPOSITS PAYABLE TO RELATED PARTIES - DIOCESAN EXPANSION FUND

At August 31, 2024 and 2023, the interest rate paid on DEF savings accounts was 2.5%, and the interest rate charged on variable rate loans was 7.0%. The interest differential is designed to enable the Diocese to cover administrative costs and losses on collection.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

The following is a summary of DEF interest income and expense as of August 31:

	2024	2023
Gross interest income on loans receivable	\$ 856,386	\$ 999,612
Interfund eliminations	(514,740)	(511,851)
Net interest income	<u>\$ 341,646</u>	<u>\$ 487,761</u>
Gross interest expense on deposits payable	\$ 1,807,985	\$ 1,681,600
Interfund eliminations	(206,024)	(466,736)
Net interest expense	<u>\$ 1,601,961</u>	<u>\$ 1,214,864</u>

The following is a summary of DEF assets and liabilities, including interfund receivables due from the Diocese to the DEF of \$16,886,835 and \$17,063,567 and deposits payable due to the Diocese from the DEF of \$16,700,858 and \$15,828,463 as of August 31, that have been eliminated in the accompanying combined statement of financial position:

	2024	2023
Cash and cash equivalents	\$ 5,927,010	\$ 10,350,270
Investments	53,317,634	47,061,193
Receivables, net	<u>23,932,977</u>	<u>20,851,600</u>
Total assets	83,177,621	78,263,063
Deposits payable	<u>(72,602,026)</u>	<u>(72,397,945)</u>
Net assets without donor restrictions - DEF	<u>\$ 10,575,595</u>	<u>\$ 5,865,118</u>

NOTE 8 - CENTRAL INSURANCE PROGRAM

A central insurance program is operated by the Diocese 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 \$500,000 in 2024 and 2023; losses in excess of this amount are covered by the insurance carrier. Claim expense under the terms of coverage amounted to \$474,504 and \$494,391 in 2024 and 2023, respectively.

NOTE 9 - PRIEST RETIREMENT PROGRAMS

The Diocese, through an unwritten program, provides a benefit for retired priests in good standing who are incardinated in the Diocese and had been in active ministry immediately prior to their retirement. Retirement is ordinarily at age 75 for all diocesan priests in active ministry for the Diocese. Each retired priest received a stipend of \$2,732 per month in 2024 and 2023.

The Diocese, through an unwritten program, also provides certain health care benefits for retired priests.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

Funding for benefits for retired priests is derived from parish and agency assessments, Partners in Charity contributions, Contributions—other including Celebrate Priesthood and Ash Wednesday collections, bequests, and income on net assets with donor restrictions and endowment funds.

At August 31, 2024 and 2023, the priest retirement and custodial care programs had a benefit obligation of \$32,651,402 and \$33,814,514, respectively. For reporting purposes within these financial statements, priest retirement and health care programs are accounted for as a multiemployer plan and, as such, the accumulated benefit obligation is not reflected in the accompanying combined statements of financial position.

The Partners in Charity campaign allocated \$500,000 in fiscal year 2024 and 2023 for the priest retirement program. The payments are made directly to retired clergy and totaled \$1,672,273 in fiscal year 2024 and \$1,560,837 in fiscal year 2023.

See Note 12 for information on net assets restricted for priests' care.

NOTE 10 - LAY EMPLOYEES' RETIREMENT PLANS

The Diocese provides 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 totaled \$208,314 in 2024 and \$214,175 in 2023.

The Diocese also provided a Pension Plan for the Lay Employees of the Parishes of the Diocese of Worcester. As of August 31, 2013, this Plan was frozen. The Plan's employer identification number is 04 590850. The risks of participating in multiemployer plans differ from single-employer plans in various ways:

- Assets contributed to multiemployer plans by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to a multiemployer plan, generally the unfunded obligations of the multiemployer plan may be borne by the remaining participating employers, on a case-by-case basis.
- If a participating entity chooses to stop participating in a multiemployer plan, the participating entity may be required to pay the multiemployer plan an amount based on the underfunded status of the multiemployer plan, referred to as a withdrawal liability.

For reporting purposes within these financial statements, the Pension Plan for the Lay Employees of the Parishes of the Diocese of Worcester is accounted for as a multiemployer plan, and as such, the accumulated benefit obligation is not reflected in the accompanying combined statements of financial position.

**Chancery Offices of the Roman Catholic Bishop of Worcester
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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

The following is a summary of the plan information as of August 31:

	<u>2024</u>	<u>2023</u>
Present value of accumulated plan benefits	\$ 6,266,994	\$ 6,268,611
Fair value of plan assets	<u>(6,419,482)</u>	<u>(3,923,417)</u>
Accumulated (overfunded) unfunded benefit obligation	<u>\$ (152,488)</u>	<u>\$ 2,345,194</u>
Funding ratio	102.43%	62.59%

The benefit obligation was calculated at August 31, 2024 and 2023, using the PRI-2012 Total Dataset with Scale MP-2021 and the RP-2014 Adjusted to 2006 Total Dataset Mortality with Scale MP-2021 mortality tables, respectively. At August 31, 2024 a 4.84% discount rate was used, and a 5.10% discount rate was used at August 31, 2023. For purposes of determining the accumulated unfunded benefit obligation, the Chancery applied a 6% discount rate, in line with the contractual terms associated with this plan. There is an expected longer-term rate of return on assets of 6%, with no cost-of-living adjustment.

On August 7, 2024, the DEF loaned the Pension Plan for the Lay Employees of the Parishes of the Diocese of Worcester \$1,700,000 and the Dioceses contributed an additional \$700,000. See Note 14 for further discussion of the Pension Plan for the Lay Employees of the Parishes of the Diocese of Worcester.

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The Chancery Offices of the Roman Catholic Bishop of Worcester (a Corporation Sole) is involved in various legal proceedings in the normal course of business that are generally incidental to its business.

Diocesan parishes, whose finances are not included in the accompanying financial statements, are an integral part of the Diocese. 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, 2024 and 2023, the Diocesan Expansion Fund had total undrawn loan commitments to Diocesan entities of \$1,233,470 and \$1,846,347, respectively.

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

NOTE 12 - NET ASSETS

Designated net assets without donor restrictions as of August 31 consist of:

	2024	2023
Seminarian education	\$ 212,611	\$ 194,643
Partners in Charity	13,794,676	13,654,217
Total designated net assets without donor restrictions	<u>\$ 14,007,287</u>	<u>\$ 13,848,860</u>

Net assets with donor restrictions as of August 31 consist of:

	2024	2023
Purpose and/or time restrictions:		
School support and scholarships	\$ 3,187,251	\$ 1,690,570
Priests' care	14,017,298	11,460,474
Religious education	1,642,998	1,331,877
Seminarian education	1,436,595	944,220
Other	459,549	229,698
Total net assets with donor restrictions - purpose and/or time restricted	<u>20,743,691</u>	<u>15,656,839</u>
Endowments restricted in perpetuity for:		
School support and scholarships	15,019,945	15,019,945
Priest care	12,808,886	12,808,886
Religious education	1,500,000	1,500,000
Seminarian education	707,404	707,404
Outreach	1,385,447	1,385,447
Evangelization	755,699	755,699
Other	523,844	523,844
Total net assets with donor restrictions - restricted in perpetuity	<u>32,701,225</u>	<u>32,701,225</u>
Total net assets with donor restrictions	<u>\$ 53,444,916</u>	<u>\$ 48,358,064</u>

NOTE 13 - ENDOWMENT

Endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of amounts available for general use. All endowments are subject to an annual spending rate of 4% to 5% of the most recent December 31st three-year market average, as prescribed by the Diocese.

The Diocese follows a version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as enacted by the Commonwealth of Massachusetts. Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of the endowed funds among factors for prudent investment and spending suggests that a donor-restricted endowment fund is still perpetual in nature. As

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NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

August 31, 2024 and 2023

is the case in the current financial environment, there is no guarantee that the amount of an endowed fund's original gift corpus will remain intact at all times.

Under UPMIFA, the Diocese is permitted to determine and continue a prudent payout amount, even if the value of the fund is below the "historic-dollar-value". There is an expectation that, over time, the endowment gift corpus amount will generally remain intact. This perspective is aligned with the accounting standards definition that donor restricted endowment funds are those that must be held in perpetuity even though the historic-dollar-value may be spent on a temporary basis. Any portion of the donor-restricted endowment fund above the original corpus amount is regarded as net appreciation and is classified as net assets with donor restriction until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the Diocese's spending policy.

The following table represents the Diocese's donor restricted endowment funds for the years ended August 31:

	2024	2023
Endowment net assets, beginning of the year	\$ 47,895,199	\$ 46,218,008
Contributions	-	875,409
Investment return	5,984,648	2,249,279
Appropriations	<u>(1,477,018)</u>	<u>(1,447,497)</u>
Endowment net assets, end of the year	<u>\$ 52,402,829</u>	<u>\$ 47,895,199</u>

NOTE 14 - SUBSEQUENT EVENTS

The Diocese has evaluated the impact of all subsequent events through September 8, 2025, the date the combined financial statements were available to be issued.

On December 1, 2024, the Diocese terminated the Pension Plan for the Lay Employees of the Parishes of the Diocese of Worcester (the Pension Plan). The participants of the Pension Plan were eligible to receive a voluntary lump sum distribution or an annuity agreement equal to the estimated pension benefit obligation.

The Diocese reorganized its operations in September 2025. As part of this, the Diocese transferred \$67,106,000 of investments included in endowment, funds held for others, and deposits payable to a related party – Diocesan Expansion Fund to the Diocese of Worcester, LLC. The impact of the entity restructuring on the 2025 financial statements of the Chancery has not yet been determined.

SUPPLEMENTAL INFORMATION

Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)
ST PAUL'S JR/SR HIGH SCHOOL
SCHEDULES OF FINANCIAL POSITION

August 31,

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 371,124	\$ 76,481
Accounts receivable from parishes and others, net	27,324	15,224
Funds on deposit with Diocesan Expansion Fund	2,138,850	1,873,838
Other assets	34,541	-
Land, buildings and equipment, net	4,164,741	4,401,116
	<u>4,164,741</u>	<u>4,401,116</u>
Total assets	<u>\$ 6,736,580</u>	<u>\$ 6,366,659</u>
LIABILITIES AND NET DEFICIT		
Liabilities		
Accounts payable and accrued expenses	\$ 100,133	\$ 44,122
Deferred tuition and fees revenue	1,449,956	1,329,715
Funds held for others	70,375	76,481
	<u>70,375</u>	<u>76,481</u>
Total liabilities	<u>1,620,464</u>	<u>1,450,318</u>
Net assets		
Without donor restrictions		
Undesignated	4,470,628	4,268,436
	<u>4,470,628</u>	<u>4,268,436</u>
Total net assets without donor restrictions	<u>4,470,628</u>	<u>4,268,436</u>
With donor restrictions	645,488	647,905
Total net assets	<u>5,116,116</u>	<u>4,916,341</u>
Total liabilities and net assets	<u>\$ 6,736,580</u>	<u>\$ 6,366,659</u>

Chancery Offices of the Roman Catholic Bishop of Worcester
(A Corporation Sole)
ST PAUL'S JR/SR HIGH SCHOOL
SCHEDULE OF ACTIVITIES

Year ended August 31, 2024 (with summarized comparative information for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Support and revenue				
Tuition and fees, net of scholarships of \$388,154 in 2024 and \$472,826 in 2023	\$ 4,438,901	\$ -	\$ 4,438,901	\$ 4,041,675
Contributions	85,186	7,500	92,686	280,945
Other	217,052	-	217,052	502,450
Investment income	25,242	16,643	41,885	44,555
Use of donor restricted funds				
Restricted funds released	-	(26,560)	(26,560)	(13,750)
Support of ministries and education	26,560	-	26,560	13,750
	<u>4,792,941</u>	<u>(2,417)</u>	<u>4,790,524</u>	<u>4,869,625</u>
Total support and revenues				
	<u>4,792,941</u>	<u>(2,417)</u>	<u>4,790,524</u>	<u>4,869,625</u>
Expenses				
Salary and benefits	3,830,671	-	3,830,671	3,816,685
Occupancy	536,693	-	536,693	690,413
Professional services	50,898	-	50,898	82,318
Professional development	4,766	-	4,766	4,456
Office/program	509,730	-	509,730	562,436
Depreciation	262,493	-	262,493	181,808
	<u>5,195,251</u>	<u>-</u>	<u>5,195,251</u>	<u>5,338,116</u>
Total expenses				
	<u>5,195,251</u>	<u>-</u>	<u>5,195,251</u>	<u>5,338,116</u>
Change in net assets from operations	(402,310)	(2,417)	(404,727)	(468,491)
Non-operating revenue				
Contribution from related party	604,502	-	604,502	383,848
	<u>604,502</u>	<u>-</u>	<u>604,502</u>	<u>383,848</u>
Total non-operating revenues				
	<u>604,502</u>	<u>-</u>	<u>604,502</u>	<u>383,848</u>
Net assets, beginning	<u>4,268,436</u>	<u>647,905</u>	<u>4,916,341</u>	<u>5,000,984</u>
Net assets, ending	<u>\$ 4,470,628</u>	<u>\$ 645,488</u>	<u>\$ 5,116,116</u>	<u>\$ 4,916,341</u>