

**ROMAN CATHOLIC BISHOP OF WORCESTER**

**(A CORPORATION SOLE)**

**COMBINED FINANCIAL STATEMENTS**

**AUGUST 31, 2007 AND 2006**

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

*Certified Public Accountants*

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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

October 24, 2007

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, 2007 and 2006, 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.

As disclosed in Note 2 to the combined financial statements, the Diocese has not eliminated interprogram transactions from revenues and expenses in the statement of activities as is required by Accounting Research Bulletin No. 51, "Consolidated Financial Statements." Management has determined that both total support and revenue and total expenses are overstated by \$3,524,534 in 2007 and \$3,003,348 in 2006, as a result of not eliminating such transactions, with no effect on increase or decrease in net assets.

As disclosed in Note 2 to the combined financial statements, the Diocese does not record depreciation on its capital assets as is required by Statement of Financial Accounting Standards No. 93 ("SFAS No. 93"), "Recognition of Depreciation by Not-for-Profit Organizations." Management has not quantified the effect on the accompanying combined financial statements of not recognizing depreciation on capital assets over their estimated useful lives.

In our opinion, except for the effects of not recognizing depreciation on capital assets and not eliminating interprogram transactions in the combined statement of activities as discussed in the preceding paragraphs, 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, 2007 and 2006, 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, 2007 AND 2006**

**ASSETS**

	<b>2007</b>	<b>2006</b>
Cash and Equivalents	10,644,979	10,226,324
Investments	64,655,764	69,187,762
Accounts Receivable, Net	5,472,194	5,609,688
Loans Receivable, Net	15,235,429	14,707,043
Pledges Receivable, Net	-	314,943
Other Receivables	309,496	392,234
Other Assets	373,610	424,938
Land, Buildings and Equipment	21,211,687	21,186,847
Bond Issue Costs, Net	160,509	166,887
<b>Total Assets</b>	<u><u>118,063,668</u></u>	<u><u>122,216,666</u></u>

**LIABILITIES AND NET ASSETS**

**Liabilities**

Accounts Payable and Accrued Expenses	13,301,140	12,757,633
Deferred Revenue	2,092,958	2,117,240
Diocesan Expansion Fund Deposits Payable	42,077,195	49,098,472
Deferred Tuition and Fees	6,210,014	6,339,896
Annuities Payable	4,108,710	4,290,975
Funds Held For Others	1,636,438	1,643,792
Bonds Payable	3,050,000	3,150,000
<b>Total</b>	<u><u>72,476,455</u></u>	<u><u>79,398,008</u></u>

**Net Assets**

Unrestricted	6,092,196	5,107,984
Unrestricted - Designated:		
Diocesan Expansion Fund	5,735,401	5,473,568
Priest Retirement	785,840	785,037
Other	1,221,663	1,152,215
<b>Total Unrestricted</b>	<u><u>13,835,100</u></u>	<u><u>12,518,804</u></u>
Temporarily Restricted	30,295,865	28,843,606
Permanently Restricted	1,456,248	1,456,248
<b>Total</b>	<u><u>45,587,213</u></u>	<u><u>42,818,658</u></u>

**Total Liabilities and Net Assets**

<u><u>118,063,668</u></u>	<u><u>122,216,666</u></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, 2007 AND 2006**

	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>								
Contributions:								
Partners in Charity		4,801,840		4,801,840		4,726,342		4,726,342
Bequests	50,000			50,000	10,422			10,422
Central Catholic Schools	15,529,249	19,448		15,548,697	15,024,510	38,889		15,063,399
Diocesan Expansion Fund	3,860,836			3,860,836	3,088,980			3,088,980
Priest Retirement Fund	2,517,384			2,517,384	2,117,214			2,117,214
Diocesan Cemetery Fees	1,115,162	194,836		1,309,998	1,132,532		224,171	1,356,703
The Catholic Free Press	791,728			791,728	770,064			770,064
Central Administration:								
Cathedraticum	2,194,691			2,194,691	2,174,222			2,174,222
Insurance Program, Net	705,711			705,711	759,143			759,143
Investment Income	172,597	502,845		675,442	335,669	546,480		882,149
Net Gain (Loss) on Investment Transactions	271,164	91,860		363,024	62,563	27,570		90,133
Unrealized Gain on Investments	555,125	2,121,854		2,676,979	290,701	1,140,326		1,431,027
Other Revenues	48,526	280,152		328,678	288,023	261,597		549,620
Restricted Funds Released:								
Partners in Charity Support of Ministries	4,726,342	(4,726,342)		-	4,563,918	(4,563,918)		-
Diocesan Cemetery Improvements	147,138	(147,138)		-	181,838	(181,838)		-
Capital Campaign	1,068,569	(1,068,569)		-	703,946	(703,946)		-
Endowment Commitments	25,072	(25,072)		-	15,780	(15,780)		-
Donor Designated Support of Ministries	561,556	(561,556)		-	551,839	(551,839)		-
Central Catholic Schools	31,899	(31,899)		-				-
<b>Total</b>	<u>34,372,749</u>	<u>1,452,259</u>	<u>-</u>	<u>35,825,008</u>	<u>32,071,364</u>	<u>948,054</u>	<u>-</u>	<u>33,019,418</u>

(Continued ...)

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**COMBINED STATEMENTS OF ACTIVITIES (CONTINUED)**  
**FOR THE YEARS ENDED AUGUST 31, 2007 AND 2006**

Expenses	2007				2006			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Partners in Charity Programs	4,269,501			4,269,501	4,312,876			4,312,876
Central Catholic Schools	15,219,074			15,219,074	15,275,552			15,275,552
Diocesan Expansion Fund	3,599,003			3,599,003	3,188,762			3,188,762
Priest Retirement Fund	2,516,581			2,516,581	2,341,558			2,341,558
Diocesan Cemeteries	1,378,341			1,378,341	1,584,293			1,584,293
The Catholic Free Press	806,219			806,219	815,707			815,707
General Administration	3,612,537			3,612,537	3,357,044			3,357,044
Capital Campaign Commitments	1,068,569			1,068,569	703,946			703,946
Use of Restricted Funds as Designated	25,072			25,072	15,780			15,780
Annuity and Endowment Expenses	561,556			561,556	551,839			551,839
<b>Total</b>	<b>33,056,453</b>	<b>-</b>	<b>-</b>	<b>33,056,453</b>	<b>32,147,357</b>	<b>-</b>	<b>-</b>	<b>32,147,357</b>
<b>Increase (Decrease) in Net Assets</b>	<b>1,316,296</b>	<b>1,452,259</b>		<b>2,768,555</b>	<b>(75,993)</b>	<b>948,054</b>		<b>872,061</b>
<b>Net Assets, Beginning</b>	<b>12,518,804</b>	<b>28,843,606</b>	<b>1,456,248</b>	<b>42,818,658</b>	<b>12,594,797</b>	<b>27,895,552</b>	<b>1,456,248</b>	<b>41,946,597</b>
<b>Net Assets, Ending</b>	<b>13,835,100</b>	<b>30,295,865</b>	<b>1,456,248</b>	<b>45,587,213</b>	<b>12,518,804</b>	<b>28,843,606</b>	<b>1,456,248</b>	<b>42,818,658</b>

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, 2007 AND 2006**

**INCREASE (DECREASE) IN CASH**

	<b>2007</b>	<b>2006</b>
<b>Cash Flows from Operating Activities</b>		
Increase in Net Assets	<u>2,768,555</u>	<u>872,061</u>
Adjustments to Reconcile Increase in Net Assets to Net Cash Used in Operating Activities:		
Amortization	6,378	6,378
Investment Gains	(3,040,003)	(1,521,160)
(Increase) Decrease in Accounts Receivable, Net	137,494	(345,051)
Increase in Loans Receivable, Net	(528,386)	(1,661,082)
(Increase) Decrease in Pledges Receivable, Net	314,943	(32,476)
Decrease in Other Receivables	82,738	137,914
(Increase) Decrease in Other Assets	51,328	(63,712)
Increase (Decrease) in Accounts Payable and Accrued Expenses	543,507	(48,644)
Increase (Decrease) in Deferred Revenue	(24,282)	158,681
Decrease in Diocesan Expansion Fund Deposits Payable	(7,021,277)	(3,184,354)
Decrease in Deferred Tuition and Fees	(129,882)	(51,797)
Decrease in Annuities Payable	(182,265)	(158,950)
Increase (Decrease) in Funds Held For Others	<u>(7,354)</u>	<u>113,274</u>
Total Adjustments	<u>(9,797,061)</u>	<u>(6,650,979)</u>
Net Cash Used in Operating Activities	<u>(7,028,506)</u>	<u>(5,778,918)</u>
<b>Cash Flows from Investing Activities</b>		
Increases in Land, Buildings and Equipment	(80,323)	(340,856)
Decreases in Land, Buildings and Equipment	55,483	48,490
Net Proceeds from Investments	<u>7,572,001</u>	<u>5,262,965</u>
Net Cash Provided by Investing Activities	<u>7,547,161</u>	<u>4,970,599</u>
<b>Cash Flows from Financing Activities</b>		
Repayments of Bonds Payable	<u>(100,000)</u>	<u>(100,000)</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	418,655	(908,319)
<b>Cash and Equivalents, Beginning</b>	<u>10,226,324</u>	<u>11,134,643</u>
<b>Cash and Equivalents, Ending</b>	<u><u>10,644,979</u></u>	<u><u>10,226,324</u></u>

See accompanying notes to financial statements.

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**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 2,508 in 2007 and 2,632 in 2006.

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, 2007 AND 2006**

**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, 2007 AND 2006**

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

Land, Buildings and Equipment are stated at cost. The Diocese has not recognized depreciation on its buildings or equipment which is required by the provisions of SFAS No. 93 "Recognition of Depreciation by Not-for-Profit Organizations". Management has not quantified the effect of not recognizing depreciation on buildings and equipment over the remaining useful lives of the capital assets. Depreciation of capital assets is recognized on St. John's Cemetery and Mausoleum due to the capital-intensive nature of its activities. This depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Land, Buildings and Equipment consist of:

	<b>2007</b>	<b>2006</b>
Land, Buildings and Improvements	20,618,010	20,581,473
Equipment	506,032	517,729
Furniture and Fixtures	87,645	87,645
<b>Total</b>	<b>21,211,687</b>	<b>21,186,847</b>

Bond Issue Costs are stated net of accumulated amortization of \$30,827 and \$24,449 at August 31, 2007 and 2006, 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 10). The Diocesan Central Administration provides a pension plan which covers all eligible lay people employed directly by the Diocese (Note 11).

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 \$287,568 in 2007 and \$263,412 in 2006.

**ROMAN CATHOLIC BISHOP OF WORCESTER  
(A CORPORATION SOLE)  
NOTES TO COMBINED FINANCIAL STATEMENTS  
AUGUST 31, 2007 AND 2006**

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

Advertising Costs are expensed as incurred and totaled \$53,922 in 2007 and \$95,273 in 2006.

Revenues and expenses between the various programs have not been eliminated in the accompanying statement of activities as required by Accounting Research Bulletin No. 51, "Consolidated Financial Statements." Management has determined that both total support and revenue and total expenses are overstated by \$3,524,534 in 2007 and \$3,003,348 in 2006 as a result of not eliminating such transactions, with no effect on the net change in net assets in the statement of activities. Management believes that presenting the statement of activities without elimination better reflects the nature of Diocesan operations.

Certain reclassifications have been made to the 2006 financial statements to conform them to the 2007 presentation.

**Note 3. Accounts and Loans Receivables**

Accounts Receivable are stated net of an allowance for doubtful parish assessments of \$1,021,967 and \$594,206 at August 31, 2007 and 2006, respectively. Loans Receivable are stated net of an allowance for doubtful loans of \$719,940 and \$419,940 at August 31, 2007 and 2006, respectively.

**Note 4. Pledges Receivable**

Pledges Receivable consist of:

	<b>2007</b>	<b>2006</b>
Unconditional Promises Scheduled to be received in Less than one year	-	430,455
Less: Allowance for Uncollectibles	-	(115,502)
Net	-	314,943

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**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, 2007 and 2006 is as follows:

	<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>
	<b>2006</b>	
	<b>Cost</b>	<b>Market Value</b>
Preferred Stocks	2,422,224	2,436,313
Domestic Corporate Stocks	17,847,112	20,076,353
Foreign Corporate Stocks	5,420,186	10,148,668
U.S. Government Debt Securities	17,655,940	17,371,856
Corporate Debt Securities	18,820,671	18,185,376
Money Market Funds	969,196	969,196
<b>Total</b>	<u>63,135,329</u>	<u>69,187,762</u>

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
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**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 \$223,210 in 2007 and \$181,911 in 2006.

**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, 2007, interest at 4.5% 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 \$15,955,369 and \$15,126,982 at August 31, 2007 and 2006, respectively.

Loans totaling \$3,381,521 and \$262,867 as of August 31, 2007 and 2006, 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, 2007 and 2006 was approximately \$58,201 and \$20,119, respectively.

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**Note 7. Diocesan Expansion Fund (cont.)**

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

	<b>2007</b>	<b>2006</b>
Cash and Cash Equivalents	2,730,290	4,327,645
Investments	19,467,869	26,296,347
Receivables, Net	35,968,817	34,015,065
	<hr/>	<hr/>
Total Assets	58,166,976	64,639,057
Deposits Payable	(52,431,575)	(59,165,489)
	<hr/>	<hr/>
Fund Balance/Net Assets	5,735,401	5,473,568
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**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, 2007. 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 \$4,108,710 and \$4,290,975 at August 31, 2007 and 2006, respectively.

The present value of the total future payments anticipated to be made under these agreements is reported as Annuities Payable in the accompanying statement 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 \$182,265 in 2007 and \$158,950 in 2006 and is reported as revenue in the accompanying Statements of Activities.

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**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:

Due October 1	Amount
2008	105,000
2009	105,000
2010	110,000
2011	110,000
2012	110,000
Thereafter	<u>2,510,000</u>
<b>Total</b>	<u><u>3,050,000</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, 2007, the rate was approximately 4 %.

Bond Sinking Fund requirements for each of the next 5 years are as follows:

Year Ending	Principal on Sinking Fund Installments
2008	100,833
2009	105,000
2010	105,833
2011	110,000
2012	<u>110,000</u>
<b>Total</b>	<u><u>531,666</u></u>

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 \$103,338 in 2007 and \$105,262 in 2006.

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**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 \$1,070,000 in fiscal year 2007 and \$875,000 in 2006. Each priest received a stipend of \$1,642 per month during 2007 and \$1,587 in 2006. The total annual payment for these years was \$1,332,317 in fiscal year 2007 and \$1,247,994 in fiscal year 2006.

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.

**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 \$485,821 in 2007 and \$476,335 in 2006.

**ROMAN CATHOLIC BISHOP OF WORCESTER**  
**(A CORPORATION SOLE)**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**AUGUST 31, 2007 AND 2006**

**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. Management believes that, due to the financial stability of the banks, the possibility of any loss is remote.

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, 2007, the Diocesan Expansion Fund had total open loan commitments outstanding of \$1,425,002 .