KPMG

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Financial Statements

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

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KPMG LLP
2001 M Street, NW
Washington, DC 20036-3389

Independent Auditors' Report

The Administrative Committee
United States Conference of Catholic Bishops:

We have audited the accompanying consolidated statement of financial position of the United States Conference of Catholic Bishops (USCCB) as of December 31, 2010, and the related consolidated statement of activities and cash flows for the year then ended. These financial statements are the responsibility of USCCB's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The accompanying consolidated financial statements of the United States Conference of Catholic Bishops as of December 31, 2009, were audited by other auditors whose report thereon dated November 12, 2009, expressed an unqualified opinion on those statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USCCB's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the December 31, 2010 financial statements referred to above present fairly, in all material respects, the financial position of the United States Conference of Catholic Bishops as of December 31, 2010, and the changes in their net assets and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

July 25, 2011

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Statements of Financial Position

December 31, 2010 and 2009

Assets		**2010**	**2009**
Cash and cash equivalents	$	6,362,286	10,407,132
Short-term investments (note 6)		7,054,385	6,049,577
Accounts receivable (note 1):			
Resettlement and other programs – government agencies		24,484,732	18,842,152
Other, net		2,027,553	1,885,297
Contributions receivable (note 1)		70,803,529	13,080,876
Inventories, net, prepaid expenses and other assets		1,921,407	1,727,808
Long-term investments (note 6)		221,513,229	169,414,179
Property and equipment, net (note 4)		14,692,240	15,737,040
Total assets	$	348,859,361	237,144,061
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	21,726,352	19,520,525
National collections grants payable		26,773,923	25,925,336
Accrued pension liability (note 9)		33,724,764	30,936,645
Accrued postretirement benefit liability (note 10)		29,113,065	26,990,749
Total liabilities		111,338,104	103,373,255
Net assets:			
Unrestricted net assets:			
General funds:			
General operating fund		19,030,037	5,632,473
Building fund		26,510,745	26,891,106
General reserve fund		5,000,000	5,000,000
Catechism fund		520,895	520,895
Local legislative initiatives fund		155,413	155,413
Quasi-endowment fund (note 8)		18,709,829	19,115,090
Current operating fund		(41,715,547)	(15,750,681)
National collections (note 5)		75,319,866	63,675,547
National Religious Retirement Office (note 5)		23,095,887	—
Total unrestricted net assets		126,627,125	105,239,843
Temporarily restricted net assets (note 5):			
Church in Africa		3,150,481	3,774,159
National collections		65,875,669	21,968,087
Other temporarily restricted net assets		2,810,978	2,788,717
National Religious Retirement Office		38,902,004	—
Total temporarily restricted net assets		110,739,132	28,530,963
Permanently restricted net assets (note 8)		155,000	—
Total net assets		237,521,257	133,770,806
Commitments and contingencies (note 12)			
Total liabilities and net assets	$	348,859,361	237,144,061

See accompanying notes to consolidated financial statements.

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Statement of Activities

Year ended December 31, 2010

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues, gains and other support:				
Contributions:				
Diocesan assessments	$ 10,143,979	—	—	10,143,979
National collections	—	116,269,157	—	116,269,157
Grants, bequests and other	1,285,589	—	155,000	1,440,589
Government contracts and grants revenue (note 3)	69,377,785	—	—	69,377,785
Income on investments (note 7)	7,843,993	—	—	7,843,993
Sale of publications	7,683,406	—	—	7,683,406
Royalty income	2,049,007	—	—	2,049,007
Collection fees on refugee loans	3,166,625	—	—	3,166,625
Contributed services	570,842	—	—	570,842
Other	2,563,081	—	—	2,563,081
	104,684,307	116,269,157	155,000	221,108,464
Net assets released from restrictions	73,093,976	(73,093,976)	—	—
Total operating revenues, gains and other support	177,778,283	43,175,181	155,000	221,108,464
Operating expenses:				
Program services:				
Grants and donations	74,395,963	—	—	74,395,963
Sub-recipient government contract expenses	58,960,307	—	—	58,960,307
Pastoral activities	8,149,401	—	—	8,149,401
Policy activities	31,218,266	—	—	31,218,266
National collections	4,552,718	—	—	4,552,718
Total program expenses	177,276,655	—	—	177,276,655
Supporting services:				
Management and general	10,067,900	—	—	10,067,900
Total supporting services expenses	10,067,900	—	—	10,067,900
Total operating expenses	187,344,555	—	—	187,344,555
(Decrease) increase in net assets from operations	(9,566,272)	43,175,181	155,000	33,763,909
Non-operating activities:				
Unrealized appreciation on investments (note 7)	16,274,654	—	—	16,274,654
Pension related expenses other than net periodic pension cost	(3,635,994)	—	—	(3,635,994)
Net contribution received in donation of NRRO to the USCCB (note 1)	18,314,894	39,032,988	—	57,347,882
Total non-operating activities	30,953,554	39,032,988	—	69,986,542
Change in net assets	21,387,282	82,208,169	155,000	103,750,451
Net assets, beginning of year	105,239,843	28,530,963	—	133,770,806
Net assets, end of year	$ 126,627,125	110,739,132	155,000	237,521,257

See accompanying notes to consolidated financial statements.

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Statement of Activities

Year ended December 31, 2009

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenues, gains and other support:				
Contributions:				
Diocesan assessments	$ 10,044,527	—	—	10,044,527
National collections	—	55,871,587	—	55,871,587
Grants, bequests and other	1,067,006	1,775,562	—	2,842,568
Government contracts and grants revenue (note 3)	58,327,207	—	—	58,327,207
Income on investments (note 7)	3,202,449	—	—	3,202,449
Sale of publications	7,265,759	—	—	7,265,759
Royalty income	2,013,771	—	—	2,013,771
Collection fees on refugee loans	2,204,487	—	—	2,204,487
Contributed services	573,902	—	—	573,902
Other	2,901,068	—	—	2,901,068
	87,600,176	57,647,149	—	145,247,325
Net assets released from restrictions	42,378,138	(42,378,138)	—	—
Total operating revenues, gains and other support	129,978,314	15,269,011	—	145,247,325
Operating expenses:				
Program services:				
Grants and donations	42,372,719	—	—	42,372,719
Sub-recipient government contract expenses	48,239,132	—	—	48,239,132
Pastoral activities	7,212,892	—	—	7,212,892
Policy activities	26,662,111	—	—	26,662,111
National collections	3,601,023	—	—	3,601,023
Total program expenses	128,087,877	—	—	128,087,877
Supporting services:				
Management and general	14,916,925	—	—	14,916,925
Total supporting services expenses	14,916,925	—	—	14,916,925
Total operating expenses	143,004,802	—	—	143,004,802
(Decrease) increase in net assets from operations	(13,026,488)	15,269,011	—	2,242,523
Non-operating activities:				
Unrealized appreciation on investments (note 7)	29,456,559	—	—	29,456,559
Pension related expenses other than net periodic pension cost	2,622,796	—	—	2,622,796
Total non-operating activities	32,079,355	—	—	32,079,355
Change in net assets	19,052,867	15,269,011	—	34,321,878
Net assets, beginning of year	86,186,976	13,261,952	—	99,448,928
Net assets, end of year	$ 105,239,843	28,530,963	—	133,770,806

See accompanying notes to consolidated financial statements.

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Statements of Cash Flows

Years Ended December 31, 2010 and 2009

		2010	2009
Cash flows from operating activities:			
Change in net assets	$	103,750,451	34,321,878
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:			
Net contribution received in donation of NRRO to the USCCB (note 1)		(57,347,882)	—
Allowance for doubtful accounts and obsolescence		20,788	(23,748)
Depreciation expense		1,037,164	1,090,555
Net realized and unrealized appreciation on long-term investments		(13,813,353)	(28,111,435)
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable:			
Resettlement and other programs – government agencies		(5,642,580)	(2,856,294)
Other		(142,256)	452,092
Decrease (increase) in contributions receivable		(57,722,653)	4,410,779
Decrease (increase) in inventories, prepaid expenses and other assets		(193,599)	1,562,933
Increase in accounts payable and accrued expenses		2,205,827	6,118,878
(Decrease) increase in national collections grants payable		848,587	(4,284,191)
(Decrease) increase in accrued pension liability		2,788,119	(2,504,695)
Increase in accrued postretirement benefit liability		2,122,316	2,702,950
Net cash provided by (used in) operating activities		(22,089,071)	12,879,702
Cash flows from investing activities:			
Purchases of property and equipment		139,506	—
Sales of investments		119,909,572	114,577,852
Purchases of investments		(131,002,270)	(119,831,340)
Investments received in donation of NRRO to the USCCB (note 1)		28,997,417	—
Net cash provided by (used in) investing activities		18,044,225	(5,253,488)
Increase (decrease) in cash and cash equivalents		(4,044,846)	7,626,214
Cash and equivalents, beginning of year		10,407,132	2,780,918
Cash and equivalents, end of year	$	6,362,286	10,407,132

See accompanying notes to consolidated financial statements.

(1) Organization

The United States Conference of Catholic Bishops (USCCB or the Conference) is a an assembly of the hierarchy of the United States and the U.S. Virgin Islands who jointly exercise certain pastoral functions on behalf of the Christian faithful of the United States. The purpose of the Conference is to promote the greater good which the Church offers humankind. This purpose is drawn from the universal law of the Church and applies to the Episcopal conferences which are established all over the world for the same purpose.

All Catholic bishops and eparchs in the United States constitute the membership of the Conference and are served by a staff of lay people, priests, deacons, and religious located at the Conference headquarters in Washington, DC.

The accompanying consolidated financial statements include the accounts of the General Funds, the Current Operating Fund, which includes the various committees and activities of USCCB, USCCB national collection, the Confraternity of Christian Doctrine, Inc. (CCD), St. John's Hall (Staff House) and the National Religious Retirement Office (NRRO). CCD is a District of Columbia nonprofit corporation created in 1939, whose current activity is to hold and manage the copyrights on the New American Bible. All intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

NRRO was established in 1987 by the Conference of Major Superiors of Men, the Leadership Conference of Women Religious and the United States Conference of Catholic Bishops. In 1995, the Council of Major Superiors of Women Religious: became the fourth sponsoring entity. NRRO is responsible for coordinating the annual Retirement Fund for Religious national collection as authorized by the Bishops of the United States. Prior to 2010, NRRO was a related party whose financial activities were not required to be included in the USCCB consolidated financial statements in accordance with the accounting guidance for reporting of related entities by not for profit organizations because control of and economic interest in NRRO did not rest with the USCCB. In 2010, the nature of the relationship between the related parties was amended such that an agreement was reached among the respective sponsoring entities granting control to USCCB which required consolidation in the current year.

The contribution of NRRO has been accounted for as an acquisition under accounting guidance followed by not for profit entities for mergers and acquisitions. Accordingly, since no consideration was paid in connection with the acquisition, the excess of net assets acquired over liabilities is reflected in the statement of activities as a net contribution to the USCCB. The net contribution consisted of the following:

Receivables	$	28,576,393
Investments		28,997,417
Accounts and Grants Payable		(225,928)
Net Contribution	$	57,347,882

The consolidated statements of activities for the year ended December 31, 2010 reflects the activities of NRRO subsequent to the January 1, 2010 date of contribution.

The General Fund is comprised of six funds: General Operating, Building, General Reserve, Catechism, Local Legislative Initiatives and Quasi-Endowment. The General Operating Fund derives revenue from diocesan assessments, investment income and other sources. This revenue is used primarily to finance the current operations of USCCB. The Building Fund includes the land, buildings, furniture and equipment of USCCB offices, the Saint John's Hall staff house facilities located in Washington D.C., and improvements to the Villa Stritch staff house facilities in Rome. The General Reserve Fund was designated in 1993 for sudden, unusual, ad hoc and/or short term projects. The Catechism Fund was established in 1995 to account for operations related to the publishing, sale, promotion and distribution of the United States release of the *Catechism of the Catholic Church*. The Quasi-Endowment Fund was established in 1997 to help offset future increases in the diocesan assessments by applying an annual spending rate to use for current operations. The Local Legislative Initiatives Fund is expected to be closed in 2011 and has not had any activity in the past two years.

The Current Operating Fund represents the accumulated operations of USCCB's activities, after transfers from the General Operating Fund. The principal activities included in the Current Operating Fund are:

Pastoral activities:
- Canonical Affairs
- Cultural Diversity
- Child and Youth Protection
- Clergy, Consecrated Life & Vocations
- Doctrine
- Ecumenical and Interreligious Affairs
- Evangelization and Catechesis
- Laity, Marriage, Family Life and Youth
- Divine Worship

Management and general activities:
- Finance and Accounting
- General Counsel
- General Secretariat
- General Services
- Human Resources

Policy activities:

Communication Department, including:
- Media Relations
- Creative Services
- Customer and Client Relations
- Catholic News Service (CNS)

Catholic Education

Government Relations

Migration and Refugee Services (MRS)

Pro-Life Activities:

Justice, Peace, and Human Development (JPHD)

National collections are summarized as follows:

The Catholic Relief Services Collection (CRSC, formerly ABOA and also known as the Laetare Sunday collection) is an annual appeal, which provides funding for CRS and other identifiable overseas aid programs such as the relief works of the Holy Father, MRS, JPHD, and the Catholic Legal Immigration Network, Inc. (CLINIC). Application of this revenue is recorded as grants and donations expense if used to finance related and other organizations and recorded as national collections expenses if used to finance costs associated with national collections activities.

Catholic Campaign for Human Development (CCHD) is the domestic anti-poverty social justice program of USCCB. Its mission is to address the root causes of poverty in the United States through promotion and support of community-controlled self-help organizations, and through transformative education. CCHD receives contributions from dioceses of 75% of a national collection. The remaining 25% of the collection is retained by the dioceses for use in local human development programs.

Collection for the Church in Latin America (CLA) gives assistance to the Catholic Church within countries of Latin America and the Caribbean.

Catholic Communication Campaign (CCC) contributes to the process of evangelization by fostering activities related to television, radio, print, internet, and other media. 50% of what is collected locally is used for priority projects of the bishops for national distribution, following recommendations by the USCCB Communications Committee. The remaining 50% portion of the collection is retained by dioceses for use in local communications projects.

Catholic Home Missions Appeal (CHMA) gives financial support to missionary activities that strengthen and extend the presence of the Church in the United States and its dependencies.

Aid to the Church in Central and Eastern Europe (AEE) helps restore pastoral capacity in that area.

Separate financial records are maintained by other activities not directly under the control of USCCB, but related to the mission of the Catholic Church. The following activities are excluded from the accompanying financial statements and are audited separately:

Catholic Legal Immigration Network, Inc. (CLINIC)
Catholic Relief Services, Inc. (CRS)
Basilica of the National Shrine of the Immaculate Conception
Commission on Certification and Accreditation

(2) Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Net assets and related revenues, gains and other support are classified based upon the existence or absence of donor-imposed stipulations, as follows:

Unrestricted Net Assets

Includes all resources that are expendable for carrying out USCCB’s mission that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets

Net assets whose use is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of USCCB pursuant to those stipulations.

Permanently Restricted Net Assets

Net assets whose use is limited by donor-imposed stipulations requiring such resources to be maintained in perpetuity and the income utilized for operating or other donor-restricted purposes.

All inter-fund transactions and balances have been eliminated in the accompanying consolidated financial statements.

(b) Cash and Cash Equivalents

USCCB considers all highly liquid financial instruments having an original maturity of three months or less to be cash equivalents, except for cash or money market accounts held by external managers.

(c) Short-Term and Long-Term Investments

Pooled investments include those of CRSC, CCHD, CLA, CCC, CHM, AEE, and NRRO and consist of both short-term and long-term investments. The pooled investments are managed by independent investment managers, and the securities are held by bank custodians. Selected investment portfolios also include assets of CRS and CLINIC, however, proportional ownership of those portfolios is separately reported by the custodian bank and amounts owned by CRS and CLINIC are not reported in the accompanying consolidated financial statements. The pooled investment fund is comprised of domestic and foreign equity and fixed income securities, fund of funds, mortgage and asset-backed securities and U.S. government and agency securities. Investment income, including realized gains (losses) is included in operating revenues, gains and other support, while net unrealized appreciation (depreciation) is reported as nonoperating activity in the accompanying consolidated statements of activities.

Short-term investments, at fair value, consist of government and corporate obligations with original maturities of one year or less as of December 31, 2010 and 2009. Long-term marketable equity securities and debt securities included in the pooled investments are carried at fair value as determined by quoted market sources.

All investments are exposed to various risks, such as interest rates, market and credit risks. Due to the level of risk associated with certain investments, it is at least possible that changes in the value of investment securities will occur in the near term and that such change could materially affect the amounts reported in the financial statements.

(d) Contributions

Diocesan assessments represent the current year’s assessment to each diocese. National collections represent USCCB’s share of the proceeds of the current year’s collections. Grants and contributions received, including national collections, which are restricted by the donor for a specific purpose, are recorded as temporarily restricted in accordance with the donors’ intent and are released to unrestricted net assets upon expenditure of the funds. Unrestricted grants, bequests and other contributions are recorded as income when an unconditional promise to give is received.

(e) Inventories

Inventories are valued at the lower of cost or market with cost being determined on the average cost basis. At December 31, 2010 and 2009, inventories are comprised primarily of publications for sale and are reflected in the accompanying consolidated statements of financial position net of an allowance for obsolete inventory of $110,500 and $89,000, respectively.

(f) Property and Equipment, Net

USCCB owns its headquarters building and staff house facilities in Washington, D.C. and the Villa Stritch in Rome, Italy, which is used by American priests serving at the Vatican. Property and equipment, net, are stated at cost at date of acquisition or fair value at date of contribution, if donated. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Assets are depreciated over the following useful lives:

Buildings	40 years
Building improvements	10 years
Furniture and equipment	3 – 10 years

(g) Long-Lived Assets

USCCB reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Some factors USCCB considers important, which could trigger an impairment review, include: (i) significant underperformance compared to expected historical or projected future operating results; (ii) significant changes in USCCB's use of the acquired assets or the strategy for its overall operations; and (iii) significant negative industry or economic trends.

(h) Revenues

Revenues from government contracts and grants are recognized in the period when expenditures have been incurred or services have been performed in compliance with the respective contracts. Contracts awarded for the acquisition of long-lived assets are reported as deferred revenue until the assets are acquired, at which time the award is recorded as unrestricted revenue. Revenues from the sale of publications are recognized when the merchandise is shipped and title is transferred to an unrelated third party. Royalty income is recognized as earned.

Contract revenues are subject to examination and contractual adjustment, and amounts realizable may change due to periodic changes in the regulatory environment. It is management's opinion that any potential disallowances will not have a material effect on the accompanying consolidated financial statements.

(i) Resettlement Programs

Reimbursements from government grants for USCCB administrative costs and program services provided by MRS are included in the accompanying consolidated statements of activities.

(Continued)

(j) Accounts and Contributions Receivable

Accounts receivable consist primarily of amounts due from publication sales, royalties due and government contracts and grants. These amounts are expected to be collected within one year. Accounts receivable, net of allowance for doubtful accounts, not expected to be collected within one year of the statement of financial position date, are recorded at net present value. USCCB determines its allowance by considering a number of factors, including the length of time receivables are past due, USCCB's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the not-for-profit sector as a whole.

At December 31, 2010 and 2009, other receivables, primarily amounts due from publication sales, are reflected in the accompanying consolidated statements of financial position net of an allowance for doubtful accounts of $27,540 and $28,252, respectively.

Contributions receivable consist primarily of amounts due from dioceses for national collections. These amounts are also expected to be collected within one year. Management has determined that no reserves are necessary at December 31, 2010 and 2009 relating to contributions receivable and government agencies receivables.

At December 31, 2010 and 2009, Accounts receivable-Resettlement and other programs-government agencies consisted of the following:

		2010	2009
U.S. Refugee Admissions Program	$	9,022,019	7,846,356
Refugee and Entrant Assistance-Voluntary Agency Program		10,000,511	7,034,143
Refugee and Entrant Assistance-Discretionary Grants		242,507	1,204,775
Unaccompanied Alien Chilidren Program		2,953,370	1,917,565
Cuban/Haitian Entrant Resettlement Program		2,266,325	839,313
Total Accounts receivable-Resettlements and other programs	$	24,484,732	18,842,152

(Continued)

At December 31, 2010 and 2009, contributions receivable consisted of the following:

		2010	2009
Catholic Campaign for Human Development	$	8,689,372	9,149,057
Catholic Communications Campaign		361,496	276,215
Catholic Homes Missions Appeal		604,790	558,872
Catholic Relief Service Collection		1,019,403	1,039,245
Collection for the Church in Latin America		34,413,485	625,621
Aid to the Church in Central and Eastern Europe		516,176	415,329
National Religious Retirement Office		24,347,788	—
Other		851,019	1,016,537
Total Contributions Receivable	$	70,803,529	13,080,876

On January 12, 2010, a catastrophic earthquake hit Haiti. As part of the response, USCCB initiated an appeal to U.S. dioceses for donations to be remitted to Catholic Relief Services. This appeal also designated a port of the diocesan response specifically for rebuilding of church structures. As of December 31, 2010, the portion of the appeal designated for this purpose amounted to $33.6 million. Those funds are held by CRS for USCCB. That receivable is included in the contributions receivable amount of the Collection for the Church in Latin America.

(k) Grants and Donations Awarded

Unconditional grants are recorded when approved. Conditional grants are recorded when conditions are substantially met and the expenditures are approved.

(l) Concentration of Credit Risk

Cash and investments are exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, USCCB maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits, and in a diversified investment portfolio. At December 31, 2010 and 2009, cash and investments were placed with high credit quality financial institutions and, accordingly, management does not expect nonperformance.

(m) Fair Value of Financial Instruments

The carrying amounts of cash, receivables, inventories, prepaid expenses, other assets, accounts payable, and other liabilities approximate fair value due to the short-term maturity of these financial instruments.

(n) Contributed Services

Contributed services revenue is recognized for staff positions filled by diocesan priests. The value of the contributed services is the difference between the amounts paid to or on behalf of the diocesan priests and the compensation that would be paid to lay persons for comparable positions and is recognized in operating revenues and expenses in the accompanying consolidated statements of activities. For the years ended December 31, 2010 and 2009, total contributed services revenue was $570,842 and $573,902.

(Continued)

(o) Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(p) Income Taxes

USCCB is exempt from federal income taxes, under section 501(a) of the Internal Revenue Code (the “Code”) as an organization described in Section 501(c)(3). USCCB is also exempt from tax in the District of Columbia under the applicable statute. Though exempt from income taxes, USCCB is subject to tax on any income that is unrelated to its exempt purposes that are not specifically excluded from such tax as set forth in the Code. However, there are no material activities that would cause imposition of the unrelated business income tax.

The income taxes topic number 740, *Income Taxes*, of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification) establishes criterion that an individual tax position has to meet for some or all the benefits of that position to be recognized in an entity’s financial statements. On initial application, this criterion is applied to all tax positions for which the statute of limitations remains open. Only tax positions that meet the “more-likely-than-not” recognition threshold at the adoption date are recognized or continue to be recognized. USCCB adopted this new standard on January 1, 2009. This new standard did not have a material impact on the consolidated financial statements. Processes are presently in place to ensure the maintenance of tax-exempt status; to identify and report unrelated income; determine filing and tax obligations in jurisdictions for there has nexus; and to review other matters that may be considered tax positions.

(q) Reclassifications

Certain reclassifications have been made to the 2009 reported amounts to conform to the 2010 presentation.

(3) Migration and Refugee Services and Programs

Since 1975, USCCB, directly and through its affiliation with the International Catholic Migration Commission in Geneva, Switzerland, has entered into various agreements with the United States government to assist in the resettlement of refugees immigrating to the United States and to provide specialized services to particularly vulnerable migrants, such as unaccompanied minors and victims of human trafficking. The resettlement activities are financed by government agencies, principally the U.S. Department of Health and Human Services and the U.S. Department of State under the authority of the Immigration and Nationality Act, as amended. Government funds received must generally be spent for the designated contractual purposes no later than three months following the end of the contract period. Unless an extension is approved by the government agencies, the funds are subject to reversion after the three-month period. However, for the majority of programs, funds are drawn down after expenditures have been incurred, thereby limiting exposure to the reversion requirements.

USCCB was reimbursed $9,742,200 and $8,668,200 for administrative costs and program services provided for resettlement activities for the years ended December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, government contracts and grants revenue consisted of the following:

	2010	2009
U.S. Refugee Admissions Program	$ 37,201,815	$ 24,234,191
Refugee and Entrant Assistance-Voluntary Agency Programs	16,180,772	19,211,982
Refugee and Entrant Assistance-Discretionary Grants	592,195	965,202
Unaccompanied Alien Children Program	6,636,842	5,624,685
Cuban/Haitian Entrant Resettlement Program	5,189,809	4,024,941
Government Contract Revenue (Trafficking)	3,576,352	4,266,206
Total government contract and grants revenue	$ 69,377,785	$ 58,327,207

(4) Property and Equipment, Net

At December 31, 2010 and 2009, property and equipment, net, consisted of the following:

	2010	2009
Land	$ 1,448,535	1,448,535
Buildings and improvements	29,988,973	29,849,467
Furniture and equipment	3,465,298	7,713,867
Total property and equipment	34,902,806	39,011,869
Less accumulated depreciation and amortization	(20,210,566)	(23,274,829)
Total property and equipment, net	$ 14,692,240	15,737,040

(5) National Collections Net Assets

At December 31, 2010 and 2009, unrestricted and temporarily restricted net assets for national collections were as follows:

	2010		2009	
	Unrestricted	**Temporarily restricted**	**Unrestricted**	**Temporarily restricted**
NRRO	$ 23,095,887	38,902,004	—	—
CRSC	9,511,526	4,776,091	6,019,596	2,878,970
CCHD	35,465,483	8,281,113	32,574,631	6,579,312
CLA	10,944,240	33,760,265	8,704,260	413,603
CCC	10,490,378	6,582,193	8,358,768	2,995,646
CHM	2,938,493	5,703,222	3,584,069	2,941,209
Church in Africa	390,377	3,150,481	326,967	3,774,159
AEE	5,579,369	6,772,785	4,107,256	6,159,347
	75,319,866	69,026,150	63,675,547	25,742,246
	$ 98,415,753	107,928,154	63,675,547	25,742,246

(6) Investments and Fair Value Measurements

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. As required by U.S. generally accepted accounting principles for fair value measurement, USCCB uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 – Pricing inputs are unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the assets or liabilities. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Short-term investments are classified as level one within the fair value hierarchy.

At December 31, 2010, the following table summarizes investments within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 1,503,275	—	—	1,503,275
U.S. government and agency securities	10,106,523	—	—	10,106,523
Corporate bonds	—	8,841,073	—	8,841,073
Domestic equity securities	112,298,157	—	—	112,298,157
Foreign equity securities	601,522	—	—	601,522
Institutional mutual funds:				
Domestic equity funds	—	7,334,491	—	7,334,491
Foreign equity funds	—	18,037,352	—	18,037,352
Fixed income funds:				
U.S. government portfolio	—	12,769,742	—	12,769,742
International portfolio	—	14,813,009	—	14,813,009
Mortgage fund	—	10,197,225	—	10,197,225
Asset-backed fund	—	860,480	—	860,480
Mortgage-backed securities	963,930	26,125,448	—	27,089,378
Asset-backed securities	—	2,473,400	—	2,473,400
Receivables for securities sold	—	225,409	—	225,409
Liabilities for securities purchased	—	(5,637,807)	—	(5,637,807)
Total long-term investments	$ 125,473,407	96,039,822	—	221,513,229

At December 31, 2009, the following table summarizes investments within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 3,879,259	—	—	3,879,259
U.S. government and agency securities	6,138,751	—	—	6,138,751
Corporate bonds	—	10,819,335	—	10,819,335
Domestic equity securities	98,403,212	—	—	98,403,212
Foreign equity securities	1,383,649	—	—	1,383,649
Institutional mutual funds:				
Domestic equity funds	—	6,753,871	—	6,753,871
Foreign equity funds	—	15,815,971	—	15,815,971
Fixed income funds:				
U.S. government portfolio	—	10,714,264	—	10,714,264
International portfolio	—	13,548,691	—	13,548,691
Mortgage fund	—	10,763,031	—	10,763,031
Asset-backed fund	—	1,038,075	—	1,038,075
Mortgage-backed securities	—	17,134,047	—	17,134,047
Asset-backed securities	—	2,874,078	—	2,874,078
Municipal bonds	—	383,250	—	383,250
Receivables for securities sold	203,248	—	—	203,248
Liabilities for securities purchased	(2,440,899)	—	—	(2,440,899)
Total investments	$ 107,567,220	89,844,613	—	197,411,833
Less NRRO				(27,997,654)
Total long-term investments				$ 169,414,179

Investments include cash and cash equivalents held by long-term investment managers for reinvestment.

USCCB used the Net Asset Value (NAV) or its equivalent to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments valued at NAV or its equivalent as of December 31, 2010 and 2009, consisted of the following:

Investment	Investment objective	NAV in funds 2010	NAV in funds 2009	Redemption restrictions/ liquidity provisions
SSGA MSCI EAFE Screened Index Non-Lending	Approximate the MSCI EAFE Index	$ 14,813,009	13,548,691	Redemptions permitted at least twice a month
SSGA Intermediate U.S. government Bond Index Non-Lending QP Common Trust Fund	Approximate the performance of Barclays Capital U.S. Intermediate Government Bond Index	11,257,746	9,444,260	Redemptions permitted daily
SSGA Long U.S. government Bond Index Non-Lending QP Common Trust Fund	Approximate the performance of Barclays Capital U.S. Long Government Bond Index	1,511,996	1,270,004	Redemptions permitted daily
SSGA U.S. Mortgage Backed Index Securities Lending QP Common Trust Fund and SSGA U.S. Mortgage Backed Index Non-Lending QP Common Trust Fund	Approximate the performance of Barclays Capital U.S. MBS Index	10,197,225	10,763,031	Redemptions permitted daily

Investment	Investment objective		NAV in funds 2010	NAV in funds 2009	Redemption restrictions/ liquidity provisions
Catholic United Investment Trust	Invest in equity securities of well-established companies based primarily in countries included in Morgan Stanley Capital International Europe, Australia, the Far East Index and Canada	$	18,037,352	15,815,971	Redemptions permitted daily/7 days prior notice
SSGA Socially Responsible Passive Credit Index Common Trust Fund	Approximate the performance of Barclays Capital U.S. Credit Bond Index		7,334,491	6,753,871	Redemptions permitted daily
SSGA Asset Backed/Commercial Mortgage Backed Index Common Trust Fund	Approximate the performance of Barclays Capital U.S. ABS Index/Barclays Capital U.S. CMBS Index		860,480	1,038,075	Redemptions permitted daily

The above funds have no unfunded commitments as of December 31, 2010 and 2009.

(7) Investment Income and Unrealized Appreciation/Depreciation

For the years ended December 31, 2010 and 2009, investment income consisted of the following:

	2010	2009
Long-term investments:		
Interest	$ 1,751,329	1,810,360
Dividends	3,269,332	3,330,391
Realized gains (losses)	2,896,284	(1,345,124)
Return on long-term investments	7,916,945	3,795,627
Interest on short-term investments	20,702	29,403
Total return on investments	7,937,647	3,825,030
Less:		
Investment management fees	(93,654)	(93,442)
NRRO	—	(529,139)
USCCB's share of investment income	$ 7,843,993	3,202,449

For the years ended December 31, 2010 and 2009, unrealized appreciation consisted of the following:

	2010	2009
Unrealized appreciation	$ 16,274,654	34,324,597
Less NRRO	—	(4,868,038)
USCCB's share of unrealized appreciation	$ 16,274,654	29,456,559

(8) Endowments

In August 2008, the FASB issued new accounting guidance related to the disclosure of endowment funds which addressed the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act (UPMIFA). A key component of this guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. In addition, the FASB issued guidance requiring new disclosures about an organization's donor-restricted and board-designated endowment funds. In 2008, the District of Columbia enacted UPMIFA into law. Management has interpreted the District of Columbia law as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As of December 31, 2009, USCCB did not have any permanently restricted net assets and therefore was not subject to the accounting requirements, however, USCCB adopted the disclosure requirements as of January 1, 2008, as required.

In 2010, USCCB established the Villa Stritch Endowment fund as a permanently restricted fund for the sole purpose of providing support for U.S. diocesan priests serving the Universal Church in various ministries of the Holy See. The Villa Stritch is a program-related asset and as such is not impacted by UPMIFA.

The following illustrates the Villa Stritch Endowment fund net assets for years ended December 31, 2010 and 2009:

		2010	2009
Permanently restricted Villa Stritch Endowment funds, beginning of year	$	—	—
Contributions		155,000	—
Permanently restricted Villa Stritch Endowment funds, end of year	$	155,000	—

The following illustrates the changes in unrestricted, board-designated Quasi-Endowment fund net assets for the years ended December 31, 2010 and 2009:

		2010	2009
Unrestricted, board-designated Quasi-Endowment funds, beginning of year	$	19,115,090	19,838,094
Investment return – Investment income		748,421	389,514
Transfer to General Operating Fund (spending rate 5.5%)		(1,153,682)	(1,112,518)
Unrestricted, board-designated Quasi-Endowment funds, end of year	$	18,709,829	19,115,090

Realized and unrealized appreciation (depreciation) is not allocated to the Quasi-Endowment fund. USCCB directs an annual transfer to the General Operating Fund of an amount equal to 5.5% of the Quasi-Endowment fund year-end balance. This amount was established to help offset increases in the annual diocesan assessment necessary in the budget.

(9) Retirement Benefits

Substantially all of the employees participate in a noncontributory, defined benefit retirement plan. The plan also covers some employees of the National Council of Catholic Women and the CLINIC. Benefits under the plan are based on years of service and final average pay.

The actuarial valuations of this retirement plan for 2010 and 2009 were as follows:

		2010	2009
Change in benefit obligation:			
Benefit obligation, beginning of year	$	72,187,707	67,081,490
Service cost		1,742,867	1,597,961
Interest cost		4,118,977	4,013,491
Actuarial loss		5,295,818	2,681,295
Benefits paid		(3,293,382)	(3,186,530)
Benefit obligation, end of year	$	80,051,987	72,187,707
Accumulated benefit obligation	$	73,468,452	66,297,583
Change in plan assets:			
Fair value of plan assets, beginning of year	$	41,251,062	33,640,150
Actual return on plan assets		4,602,137	7,830,036
Employer contributions		3,767,406	2,967,406
Benefits paid		(3,293,382)	(3,186,530)
Fair value of plan assets, end of year	$	46,327,223	41,251,062

		2010	2009
Funded status	$	(33,724,764)	(30,936,645)
Items not yet recognized as a component of net periodic pension/benefit cost:			
Net actuarial loss	$	21,976,195	19,360,933
Net periodic benefit cost:			
Service cost	$	1,742,867	1,597,961
Interest cost		4,118,977	4,013,491
Expected return on plan assets		(3,306,395)	(2,705,681)
Amortization of net actuarial loss		1,384,804	1,856,964
Net periodic benefit cost	$	3,940,253	4,762,735

		2010	2009
Changes other than net periodic benefit cost:			
Net Actuarial Loss	$	4,000,066	(2,443,060)
Amortization of net loss		(1,384,804)	(1,856,964)
Changes other than net periodic benefit costs	$	2,615,262	(4,300,024)

(Continued)

The following assumptions were used in calculating the amount shown above:

	Net periodic benefit cost	Benefit obligations
Discount rate	5.81%	5.29%
Salary increase	4.25%	4.25%
Expected return on plan assets	8.00%	8.00%

The estimated net actuarial loss for the defined benefit pension plans that will be amortized from the unrestricted net assets into net periodic benefit cost over the next year is $1,705,860. There is no prior service cost that will be amortized next year.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

2011	$ 3,678,156
2012	4,026,902
2013	4,335,952
2014	4,486,894
2015	4,678,108
2016 – 2020	27,572,890

Plan Assets

The assets of the plan are invested primarily in a diversified mix of domestic and foreign equities and fixed income securities. The assets are managed by independent investment managers in accordance with stated investment policies and subject to USCCB’s socially responsible investment guidelines. The investment objective of the pension fund is to equal or exceed a benchmark rate of return comprised of appropriate market indices and to achieve an above-median ranking in a universe of balanced funds with similar investment policies over reasonable measurement periods.

At December 31, 2010, the following table summarizes the plan assets within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 1,396,471	—	—	1,396,471
U.S. government and agency securities	2,271,100	—	—	2,271,100
Corporate bonds	—	1,030,065	—	1,030,065
Equity securities	22,942,374	—	—	22,942,374
Foreign equities	118,038	—	—	118,038
Fund of funds	—	14,613,709	—	14,613,709
Mortgage-backed securities	213,361	4,184,519	—	4,397,880
Asset-backed securities	—	389,607	—	389,607
Receivables for securities sold	13,459	37,804	—	51,263
Liabilities for securities purchased	—	(883,284)	—	(883,284)
Total investments	$ 26,954,803	19,372,420	—	46,327,223

The actual asset allocations for 2010 and target allocation ranges by asset category for 2010 and 2011 for the pension plan assets were as follows:

	2010	Levels	Target allocation range
Cash and cash equivalents	—%	1	<5%
U.S. equity securities	52%	1	46 – 54%
Fund of funds	16%	2	13 – 17%
Fixed income securities	32%	2	31 – 39%

The expected long-term rate of return assumption of 8% is selected by management as a reasonable expectation based on historical performance of both the pension fund and the investment markets in general. The selection of this rate is periodically revisited by USCCB as the administrator of the pension plan.

(10) Postretirement Benefits Other Than Pensions

USCCB provides health care and life insurance benefits to retired employees who have attained certain age and service requirements or age 65. Subsequent to attaining age 65, health care benefits to retired employees are noncontributory and are integrated with Medicare according to the Coordination of Benefits method. The life insurance benefit consists of a $5,000 level death benefit and is noncontributory. Postretirement benefits are funded on a pay-as-you-go basis.

		2010	2009
Change in benefit obligation:			
Benefit obligation, beginning of year	$	26,990,749	24,287,799
Service cost		677,865	647,093
Interest cost		1,528,767	1,473,782
Change in assumptions		—	1,159,627
Medicare Part D benefit subsidy		40,645	97,414
Actuarial loss		946,524	326,582
Benefits paid		(1,071,485)	(1,001,548)
Benefit obligation, end of year	$	29,113,065	26,990,749
Net periodic benefit cost:			
Service cost	$	677,865	647,093
Interest cost		1,528,767	1,473,782
Amortization of prior service cost		(688,594)	(688,594)
Amortization of net actuarial cost		614,386	497,575
	$	2,132,424	1,929,856

Funded Status and Accrued Liability

At December 31, 2010 and 2009, the following information sets forth the status of the health care and life insurance benefits:

		2010	2009
Accumulated benefit obligation	$	29,113,065	26,990,749
Fair value of plan assets		—	—
Funded status – underfunded	$	29,113,065	26,990,749

Amounts recognized in the accompanying consolidated financial statements consisted of the following:

		2010	2009
Changes other than net periodic benefit cost			
Net actuarial loss	$	946,524	1,486,209
Amortization of prior service cost		688,594	688,594
Amortization of net loss		(614,386)	(497,575)
Total changes other than net periodic benefit cost	$	1,020,732	1,677,228

		2010	2009
Items not yet recognized as a component of net periodic pension/benefit cost:			
Net actuarial loss	$	8,783,645	8,451,507
Prior service cost/(credit)		(3,035,643)	(3,724,237)
	$	5,748,002	4,727,270

Actuarial Assumptions

The following assumptions were used in calculating the amounts shown above:

	Net periodic benefit cost	Benefit obligation
Discount rate	5.81%	5.29%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	N/A	N/A
Health care cost trend rate – pre-65 claims	9.00%	9.00%
Health care cost trend rate – post-65 claims	8.00%	8.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is reached	2018/2016	2019/2017

The assumed health care cost trend rates have a significant effect on the amounts reported for health-related postretirement benefits. A one-percentage-point increase in the assumed health care cost trend rate would increase the 2010 postretirement benefit cost by approximately $340,366 and increase the accumulated postretirement benefit obligation by approximately $4,357,834. A one-percentage-point decrease in the assumed health care cost trend rate would decrease the 2010 postretirement benefit cost by approximately $295,673, and decrease the accumulated postretirement benefit obligation by approximately $3,587,260.

(Continued)

Contributions and Benefit Payments

Postretirement benefits are funded on a pay-as-you-go basis. Therefore, employer contributions are equal to benefits paid in each year. For the years ended December 31, 2010 and 2009, the following benefits were paid from plan assets:

		2010	2009
Benefits paid	$	1,071,485	1,001,548
Employer contribution		1,030,840	904,134
Medicare Part D benefit subsidy		40,645	97,414

Estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

		Net benefit payments	Gross benefit payments	Medicare subsidy receipts
2011	$	1,178,455	1,287,852	(109,397)
2012		1,281,919	1,401,624	(119,705)
2013		1,372,358	1,503,325	(130,967)
2014		1,467,749	1,607,998	(140,249)
2015		1,535,296	1,684,132	(148,836)
2016 – 2020		8,715,885	9,602,011	(886,126)
Total	$	15,551,662	17,086,942	(1,535,280)

(11) Legal

USCCB has been named in several lawsuits in the normal course of business. In the opinion of management, these claims are not expected to have a material adverse effect on USCCB's consolidated financial position, changes in net assets or cash flows.

(12) Commitments

USCCB leases certain office space and office equipment under various operating lease arrangements with terms in excess of one year. Future minimum lease payments as of December 31, 2010, under scheduled operating leases that have initial or remaining terms in excess of one year, are as follows:

2011	$	195,354
2012		35,310
Total	$	230,664

For the years ended December 31, 2010 and 2009, rent expense under operating leases was $401,964 and $356,652, respectively and was included in operating expenses in the accompanying consolidated statements of activities.

USCCB has employment contracts with diocesan priests and for the services of religious men and women usually for periods not to exceed three years.

As of December 31, 2010 and 2009, the total aggregate payment of multi-year employment contracts consists of the following:

		2010	2009
Contracts extend through		2013	2012
Approximate aggregate payments	$	1,906,000	1,069,000

(13) Subsequent Events

USCCB evaluated its December 31, 2010 consolidated financial statements for subsequent events through July 25, 2011, the date the consolidated financial statements were available to be issued. The following item required disclosure and recognition.

In June 2011, a settlement agreement was reached between the Confraternity of Christian Doctrine (CCD) and the Catholic Biblical Association. The activity of CCD is included in the USCCB consolidated financial statements. The agreement resulted in a USCCB liability of $921,517 payable to the Catholic Biblical Association.