



UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Financial Statements

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

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KPMG LLP
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1801 K Street, NW
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Independent Auditors' Report

The Administrative Committee
United States Conference of Catholic Bishops:

We have audited the accompanying consolidated financial statements of the United States Conference of Catholic Bishops (USCCB), which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated 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, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

July 31, 2013

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Statements of Financial Position

December 31, 2012 and 2011

Assets	2012	2011
Cash and cash equivalents	\$ 6,594,126	5,361,587
Short-term investments (note 6)	4,042,677	5,046,430
Accounts receivable (note 2):		
Resettlement and other programs – government agencies, net	12,968,086	22,276,356
Other, net	1,811,398	2,356,277
Contributions receivable (note 2)	64,431,393	69,854,186
Inventories, net, prepaid expenses and other assets	1,132,895	1,187,741
Long-term investments (note 6)	251,259,815	223,921,948
Property and equipment, net (note 4)	15,445,210	15,539,765
	<hr/>	<hr/>
Total assets	\$ 357,685,600	345,544,290
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 16,899,531	21,426,031
National collections grants payable	38,837,034	28,542,640
Accrued pension liability (note 9)	46,458,975	44,651,466
Accrued postretirement benefit liability (note 10)	39,919,383	34,802,168
	<hr/>	<hr/>
Total liabilities	142,114,923	129,422,305
	<hr/> <hr/>	<hr/> <hr/>
Net assets:		
Unrestricted net assets:		
General funds:		
General operating fund	4,932,108	10,140,397
Building fund	26,603,062	25,379,475
General reserve fund	5,000,000	5,000,000
Catechism fund	581,568	536,849
Quasi-endowment fund (note 8)	18,791,218	18,355,845
Current operating fund	(65,822,504)	(62,117,509)
National collections (note 5)	91,609,182	81,022,395
National Religious Retirement Office (note 5)	27,672,833	24,478,426
	<hr/>	<hr/>
Total unrestricted net assets	109,367,467	102,795,878
	<hr/> <hr/>	<hr/> <hr/>
Temporarily restricted net assets (note 5):		
National collections	69,013,429	74,971,019
National Religious Retirement Office	36,988,255	38,169,058
	<hr/>	<hr/>
Total temporarily restricted net assets	106,001,684	113,140,077
	<hr/> <hr/>	<hr/> <hr/>
Permanently restricted net assets (note 8)	201,526	186,030
	<hr/>	<hr/>
Total net assets	215,570,677	216,121,985
	<hr/> <hr/>	<hr/> <hr/>
Commitments and contingencies (note 12)		
	<hr/>	<hr/>
Total liabilities and net assets	\$ 357,685,600	345,544,290
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See accompanying notes to consolidated financial statements.

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Statements of Activities

Year ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenues, gains and other support:				
Contributions:				
Diocesan assessments	\$ 10,361,238	—	—	10,361,238
National collections	—	86,144,512	—	86,144,512
Grants, bequests and other	1,023,643	1,686,419	—	2,710,062
Government contracts and grants revenue (note 3)	65,768,244	—	—	65,768,244
Income on investments (note 7)	3,566,257	—	15,496	3,581,753
Sale of publications	6,379,491	—	—	6,379,491
Royalty income	2,789,697	—	—	2,789,697
Collection fees on refugee loans	3,622,886	—	—	3,622,886
Contributed services	452,709	—	—	452,709
Other	3,043,480	—	—	3,043,480
	<u>97,007,645</u>	<u>87,830,931</u>	<u>15,496</u>	<u>184,854,072</u>
Net assets released from restrictions	94,969,324	(94,969,324)	—	—
Total operating revenues, gains and other support	<u>191,976,969</u>	<u>(7,138,393)</u>	<u>15,496</u>	<u>184,854,072</u>
Operating expenses:				
Program services:				
Grants and donations	92,141,592	—	—	92,141,592
Sub-recipient government contract expenses	54,444,057	—	—	54,444,057
Pastoral activities	7,498,631	—	—	7,498,631
Communications, policy and advocacy activities	36,313,046	—	—	36,313,046
National collections	5,687,821	—	—	5,687,821
Total program expenses	<u>196,085,147</u>	<u>—</u>	<u>—</u>	<u>196,085,147</u>
Supporting services:				
Management and general	11,869,409	—	—	11,869,409
Total supporting services expenses	<u>11,869,409</u>	<u>—</u>	<u>—</u>	<u>11,869,409</u>
Total operating expenses	<u>207,954,556</u>	<u>—</u>	<u>—</u>	<u>207,954,556</u>
(Decrease) increase in net assets from operations	<u>(15,977,587)</u>	<u>(7,138,393)</u>	<u>15,496</u>	<u>(23,100,484)</u>
Nonoperating activities:				
Unrealized appreciation on investments (note 7)	23,222,008	—	—	23,222,008
Pension related expenses other than net periodic pension cost (notes 9 and 10)	(672,832)	—	—	(672,832)
Total nonoperating activities	<u>22,549,176</u>	<u>—</u>	<u>—</u>	<u>22,549,176</u>
Change in net assets	6,571,589	(7,138,393)	15,496	(551,308)
Net assets, beginning of year	<u>102,795,878</u>	<u>113,140,077</u>	<u>186,030</u>	<u>216,121,985</u>
Net assets, end of year	\$ <u>109,367,467</u>	<u>106,001,684</u>	<u>201,526</u>	<u>215,570,677</u>

See accompanying notes to consolidated financial statements.

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Statements of Activities

Year ended December 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenues, gains and other support:				
Contributions:				
Diocesan assessments	\$ 10,322,956	—	—	10,322,956
National collections	—	88,943,307	—	88,943,307
Grants, bequests and other	3,317,552	—	25,000	3,342,552
Government contracts and grants revenue (note 3)	67,862,160	—	—	67,862,160
Income on investments (note 7)	8,346,227	—	6,030	8,352,257
Sale of publications	7,526,020	—	—	7,526,020
Royalty income	1,786,217	—	—	1,786,217
Collection fees on refugee loans	3,764,244	—	—	3,764,244
Contributed services	460,826	—	—	460,826
Other	3,659,009	—	—	3,659,009
	<u>107,045,211</u>	<u>88,943,307</u>	<u>31,030</u>	<u>196,019,548</u>
Net assets released from restrictions	86,542,362	(86,542,362)	—	—
Total operating revenues, gains and other support	<u>193,587,573</u>	<u>2,400,945</u>	<u>31,030</u>	<u>196,019,548</u>
Operating expenses:				
Program services:				
Grants and donations	76,133,163	—	—	76,133,163
Sub-recipient government contract expenses	57,262,625	—	—	57,262,625
Pastoral activities	7,073,241	—	—	7,073,241
Communications, policy and advocacy activities	39,528,067	—	—	39,528,067
National collections	5,734,593	—	—	5,734,593
Total program expenses	<u>185,731,689</u>	<u>—</u>	<u>—</u>	<u>185,731,689</u>
Supporting services:				
Management and general	10,081,640	—	—	10,081,640
Total supporting services expenses	<u>10,081,640</u>	<u>—</u>	<u>—</u>	<u>10,081,640</u>
Total operating expenses	<u>195,813,329</u>	<u>—</u>	<u>—</u>	<u>195,813,329</u>
(Decrease) increase in net assets from operations	<u>(2,225,756)</u>	<u>2,400,945</u>	<u>31,030</u>	<u>206,219</u>
Nonoperating activities:				
Unrealized loss on investments (note 7)	(6,624,747)	—	—	(6,624,747)
Pension related expenses other than net periodic pension cost (notes 9 and 10)	(14,980,744)	—	—	(14,980,744)
Total nonoperating activities	<u>(21,605,491)</u>	<u>—</u>	<u>—</u>	<u>(21,605,491)</u>
Change in net assets	<u>(23,831,247)</u>	<u>2,400,945</u>	<u>31,030</u>	<u>(21,399,272)</u>
Net assets, beginning of year	126,627,125	110,739,132	155,000	237,521,257
Net assets, end of year	\$ <u>102,795,878</u>	<u>113,140,077</u>	<u>186,030</u>	<u>216,121,985</u>

See accompanying notes to consolidated financial statements.

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Statements of Cash Flows

Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ (551,308)	(21,399,272)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Allowance for doubtful accounts and obsolescence	(73,706)	5,034,127
Depreciation expense	1,275,763	1,160,277
Net realized and unrealized (appreciation) loss on long-term investments	(23,114,442)	3,036,338
(Increase) decrease in operating assets:		
Accounts receivable:		
Resettlement and other programs – government agencies	9,308,271	(2,720,736)
Other	618,585	(433,739)
Contributions receivable	5,422,793	949,343
Inventories, prepaid expenses and other assets	54,846	733,666
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(4,526,501)	(300,321)
National collections grants payable	10,294,394	1,768,717
Accrued pension liability	1,807,509	10,926,702
Accrued postretirement benefit liability	5,117,215	5,689,103
Net cash provided by operating activities	<u>5,633,419</u>	<u>4,444,205</u>
Cash flows from investing activities:		
Purchases of property and equipment	(1,181,208)	(2,007,802)
Sales of investments	94,532,703	129,630,913
Purchases of investments	<u>(97,752,375)</u>	<u>(133,068,015)</u>
Net cash used in investing activities	<u>(4,400,880)</u>	<u>(5,444,904)</u>
Increase (decrease) in cash and cash equivalents	1,232,539	(1,000,699)
Cash and equivalents, beginning of year	<u>5,361,587</u>	<u>6,362,286</u>
Cash and equivalents, end of year	<u>\$ 6,594,126</u>	<u>5,361,587</u>

See accompanying notes to consolidated financial statements.

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(1) Organization

The United States Conference of Catholic Bishops (USCCB or the Conference) is 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 collections including the National Religious Retirement Office (NRRO), the Confraternity of Christian Doctrine, Inc. (CCD) and St. John's Hall (Staff House). 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.

The General Fund is comprised of five funds: General Operating, Building, General Reserve, Catechism 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 facility 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 Current Operating Fund represents the accumulated deficit from operations of USCCB's activities, after transfers from the General Operating Fund. The principal activities included in the Current Operating Fund are pastoral activities, management and general activities and communications, policy and advocacy.

Communications, policy and advocacy activities broadly categorized include, but are not limited to, the production of news, educational and catechetical content; the sharing of the teachings of the Church that have some bearing on public policy; and advocacy which is realized through the staff of the Government Relations Office.

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 Catholic Relief Services (CRS) and other identifiable overseas aid programs such as the relief works of the Holy Father, Migration and Refugee Services (MRS), Justice Peace and Human Development (JPHD), and the Catholic

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

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 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.

The National Religious Retirement Office (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.

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 consolidated 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 (ceased operations as of December 31, 2011)

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(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, 2012 and 2011.

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

Long-term investments included in the pooled investments are recorded at fair value.

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, 2012 and 2011, 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 \$117,420 and \$124,300, 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, 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.

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

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.

(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, 2012 and 2011, 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 \$108,849 and \$182,555, 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, 2012 and 2011 relating to contributions receivable.

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

At December 31, 2012 and 2011, Accounts receivable-Resettlement and other programs consisted of the following:

	<u>2012</u>	<u>2011</u>
U.S. Refugee Admissions Program	\$ 8,078,483	11,274,788
Refugee and Entrant Assistance-Voluntary Agency Program	1,828,241	10,098,825
Refugee and Entrant Assistance-Discretionary Grants	180,041	351,956
Unaccompanied Alien Children Program	1,727,759	3,004,889
Cuban/Haitian Entrant Resettlement Program	<u>1,153,562</u>	<u>1,042,235</u>
	12,968,086	25,772,693
Less allowance for doubtful accounts	<u>—</u>	<u>(3,496,337)</u>
Total accounts receivable-resettlements and other programs	<u>\$ 12,968,086</u>	<u>22,276,356</u>

At December 31, 2012 and 2011, contributions receivable consisted of the following:

	<u>2012</u>	<u>2011</u>
Catholic Campaign for Human Development	\$ 9,160,940	9,535,666
Catholic Communications Campaign	610,253	465,374
Catholic Homes Missions Appeal	1,331,943	1,270,399
Catholic Relief Service Collection	2,132,845	2,081,962
Collection for the Church in Latin America	661,951	1,300,771
Collection for Rebuild of Churches hit by Haiti earthquake	24,654,889	29,038,212
Aid to the Church in Central and Eastern Europe	1,326,658	1,041,509
National Religious Retirement Office	23,900,514	24,020,880
Other	<u>651,400</u>	<u>1,099,413</u>
Total contributions receivable	<u>\$ 64,431,393</u>	<u>69,854,186</u>

(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, 2012 and 2011, cash and investments were placed with high credit quality financial institutions and, accordingly, management does not expect nonperformance.

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(m) Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents and short-term investments approximate fair value due to the short-term maturity of these financial instruments. Cash and short term investments are classified as level one in the fair value hierarchy.

(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, 2012 and 2011, total contributed services revenue was \$452,709 and \$460,826, respectively.

(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. Management annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

(q) Reclassifications

Certain reclassifications have been made to the 2011 reported amounts to conform to the 2012 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 U.S. 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.

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USCCB was reimbursed \$11,487,006 and \$10,765,289 for administrative costs and program services provided for resettlement activities for the years ended December 31, 2012 and 2011, respectively. The Anti-Trafficking contract was not renewed for 2012. At December 31, 2012 and 2011, government contracts and grants revenue consisted of the following:

	<u>2012</u>	<u>2011</u>
U.S. Refugee Admissions Program	\$ 33,276,547	30,255,842
Refugee and Entrant Assistance-Voluntary Agency Programs	20,478,490	22,563,137
Refugee and Entrant Assistance-Discretionary Grants	516,925	696,151
Unaccompanied Alien Children Program	7,523,244	7,087,125
Cuban/Haitian Entrant Resettlement Program	3,872,745	4,148,413
Government Contract Revenue (Trafficking)	<u>100,293</u>	<u>3,111,492</u>
Total government contract and grants revenue	\$ <u>65,768,244</u>	<u>67,862,160</u>

(4) Property and Equipment, Net

At December 31, 2012 and 2011, property and equipment, net, consisted of the following:

	<u>2012</u>	<u>2011</u>
Land	\$ 1,448,535	1,448,535
Buildings and improvements	31,340,352	30,842,228
Furniture and equipment	3,394,724	4,619,845
Fine artwork and paintings	<u>500,025</u>	<u>—</u>
Total property and equipment	36,683,636	36,910,608
Less accumulated depreciation and amortization	<u>(21,238,426)</u>	<u>(21,370,843)</u>
Total property and equipment, net	\$ <u>15,445,210</u>	<u>15,539,765</u>

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(5) National Collections Net Assets

At December 31, 2012 and 2011, unrestricted and temporarily restricted net assets for national collections were as follows:

	2012		2011	
	Unrestricted	Temporarily restricted	Unrestricted	Temporarily restricted
NRRO	\$ 27,672,833	36,988,255	24,478,426	38,169,058
CRSC	12,666,001	2,078,797	10,447,424	5,143,603
CCHD	42,179,368	21,574,120	37,955,811	13,156,392
CLA – Regular collection	10,750,875	—	11,330,923	—
CLA – Haiti Recovery Fund	385,509	24,466,494	84,347	33,277,181
CCC	12,423,494	4,951,562	11,055,466	5,342,411
CHM	4,776,587	5,211,605	3,438,562	5,150,064
Church in Africa	762,380	1,189,889	541,161	2,361,138
AEE	6,951,677	3,366,077	6,004,377	6,608,082
Hurricane & Tornado Relief Fund	713,291	6,174,885	164,324	3,932,148
National collections	<u>91,609,182</u>	<u>69,013,429</u>	<u>81,022,395</u>	<u>74,971,019</u>
Total national collections net assets	<u>\$ 119,282,015</u>	<u>106,001,684</u>	<u>105,500,821</u>	<u>113,140,077</u>

(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.

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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. The following valuation techniques and inputs were used to determine the fair value of the long-term investments listed below:

Fixed income securities include, but are not limited to, U.S. government and agency securities, corporate bonds, mortgage-backed securities and asset-backed securities. U.S. government and agency securities and certain mortgage-backed securities are valued using quoted prices in principal active markets for identical assets and are classified as level one. The remainder of these securities are valued using quoted prices in active markets for similar securities and are classified as level 2.

Domestic and foreign equity securities are valued using quoted prices in principal active markets for identical assets and are classified as level one.

Institutional mutual funds are valued using 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. These mutual funds classified as level 2 as they are redeemable at NAV at or near year-end.

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At December 31, 2012, the following table summarizes long-term investments within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 4,587,947	—	—	4,587,947
U.S. government and agency securities	10,362,049	—	—	10,362,049
Corporate bonds	—	9,121,283	—	9,121,283
Domestic equity securities	123,649,159	—	—	123,649,159
Foreign equity securities	—	—	—	—
Institutional mutual funds:				
Domestic equity funds	—	11,087,320	—	11,087,320
Foreign equity funds	—	18,654,402	—	18,654,402
Fixed income funds:				
U.S. government portfolio	—	16,936,502	—	16,936,502
International portfolio	—	19,692,763	—	19,692,763
Mortgage fund	—	12,134,714	—	12,134,714
Asset-backed fund	—	901,157	—	901,157
Mortgage-backed securities	1,544,917	18,226,069	—	19,770,986
Asset-backed securities	—	5,944,398	—	5,944,398
Receivables for securities sold	115,559	224,200	—	339,759
Liabilities for securities purchased	—	(1,922,624)	—	(1,922,624)
	<u>140,259,631</u>	<u>111,000,184</u>	<u>—</u>	<u>251,259,815</u>
Total long-term investments	\$ <u>140,259,631</u>	<u>111,000,184</u>	<u>—</u>	<u>251,259,815</u>

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At December 31, 2011, the following table summarizes long-term investments within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 2,178,254	—	—	2,178,254
U.S. government and agency securities	6,887,640	—	—	6,887,640
Corporate bonds	—	9,844,109	—	9,844,109
Domestic equity securities	113,556,268	—	—	113,556,268
Foreign equity securities	483,872	—	—	483,872
Institutional mutual funds:				
Domestic equity funds	—	8,469,255	—	8,469,255
Foreign equity funds	—	15,588,637	—	15,588,637
Fixed income funds:				
U.S. government portfolio	—	13,682,630	—	13,682,630
International portfolio	—	12,986,251	—	12,986,251
Mortgage fund	—	10,676,875	—	10,676,875
Asset-backed fund	—	762,412	—	762,412
Mortgage-backed securities	1,137,795	24,102,955	—	25,240,750
Asset-backed securities	—	4,361,659	—	4,361,659
Receivables for securities sold	—	1,074,593	—	1,074,593
Liabilities for securities purchased	—	(1,871,257)	—	(1,871,257)
	<u>\$ 124,243,829</u>	<u>99,678,119</u>	<u>—</u>	<u>223,921,948</u>

Investments include cash and cash equivalents held by long-term investment managers for reinvestment. There were no transfers between levels 1 and 2 during 2012 or 2011. There were no level 3 investments in 2012 or 2011.

Investments valued at NAV or its equivalent as of December 31, 2012 and 2011, consisted of the following:

<u>Investment</u>	<u>Investment objective</u>	<u>NAV in funds</u>		<u>Redemption restrictions/ liquidity provisions</u>
		<u>2012</u>	<u>2011</u>	
Institutional mutual funds:				
International portfolio	Approximate the MSCI EAFE Index	\$ 19,692,763	12,986,251	Redemptions permitted at least twice a month

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Investment	Investment objective	NAV in funds		Redemption restrictions/ liquidity provisions
		2012	2011	
U.S. government portfolio	Approximate the performance of Barclays Capital U.S. Intermediate Government Bond Index	\$ 16,936,502	13,682,630	Redemptions permitted daily
Mortgage fund	Approximate the performance of Barclays Capital U.S. MBS Index	12,134,714	10,676,875	Redemptions permitted daily
Foreign equity funds	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	18,654,402	15,588,637	Redemptions permitted daily/7 days prior notice
Domestic equity funds	Approximate the performance of Barclays Capital U.S. Credit Bond Index	11,087,320	8,469,255	Redemptions permitted daily
Asset-backed fund	Approximate the performance of Barclays Capital U.S. ABS Index/Barclays Capital U.S. CMBS Index	901,157	762,412	Redemptions permitted daily

The above funds have no unfunded commitments as of December 31, 2012 and 2011.

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(7) Investment Income and Unrealized Appreciation/Depreciation

For the years ended December 31, 2012 and 2011, investment income consisted of the following:

	<u>2012</u>	<u>2011</u>
Long-term investments:		
Interest	\$ 1,733,090	1,849,651
Dividends	2,644,783	3,691,520
Realized gains (loss)	<u>(107,566)</u>	<u>3,588,409</u>
Return on long-term investments	4,270,307	9,129,580
Interest on short-term investments	<u>3,133</u>	<u>5,839</u>
Total return on investments	4,273,440	9,135,419
Less:		
Investment management fees	<u>(691,687)</u>	<u>(783,162)</u>
USCCB's share of investment income	<u>\$ 3,581,753</u>	<u>8,352,257</u>

For the years ended December 31, 2012 and 2011, unrealized appreciation (loss) consisted of the following:

	<u>2012</u>	<u>2011</u>
Suck's share of unrealized appreciation (loss)	\$ 23,222,008	(6,624,747)

(8) Endowments

FASB requires the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets to be classified as temporarily restricted net assets until appropriated for expenditure. USCCB is subject to the District of Columbia enacted version of the Uniform Prudent Management of Institutional Funds Act. 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.

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.

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The following illustrates the Villa Stritch Endowment fund net assets for years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Permanently restricted Villa Stritch Endowment funds, beginning of year	\$ 186,030	155,000
Contributions	—	25,000
Investment income	<u>15,496</u>	<u>6,030</u>
Permanently restricted Villa Stritch Endowment funds, end of year	<u>\$ 201,526</u>	<u>186,030</u>

The following illustrates the changes in unrestricted, board-designated Quasi-Endowment fund net assets for the years ended December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Unrestricted, board-designated Quasi-Endowment funds, beginning of year	\$ 18,355,845	18,709,829
Investment return – investment income	1,529,042	714,346
Transfer to General Operating Fund (spending rate 5.5%)	<u>(1,093,669)</u>	<u>(1,068,330)</u>
Unrestricted, board-designated Quasi-Endowment funds, end of year	<u>\$ 18,791,218</u>	<u>18,355,845</u>

Realized and unrealized appreciation (depreciation) is allocated to the Quasi-Endowment fund. In 2012 and 2011, USCCB directed a 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.

In 2012, the Executive Committee approved an amendment to the plan to freeze benefit accruals as of December 31, 2013 for all current employees. This plan amendment resulted in a curtailment gain of \$6,593,949 in fiscal year 2012.

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The actuarial valuations of this retirement plan for 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Accumulated benefit obligation	\$ 95,178,108	84,279,251
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 90,839,904	80,051,987
Service cost	2,189,820	1,824,128
Interest cost	3,982,526	4,093,491
Actuarial loss	9,548,972	8,336,245
Benefits paid	(3,946,643)	(3,465,947)
Gain due to curtailment	(6,593,949)	—
Benefit obligation, end of year	<u>96,020,630</u>	<u>90,839,904</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	46,188,438	46,327,223
Actual return on plan assets	5,227,305	359,756
Employer contributions	2,092,555	2,967,406
Benefits paid	(3,946,643)	(3,465,947)
Fair value of plan assets, end of year	<u>49,561,655</u>	<u>46,188,438</u>
Funded status	\$ <u>46,458,975</u>	<u>44,651,466</u>
	<u>2012</u>	<u>2011</u>
Items not yet recognized as a component of net periodic pension benefit cost:		
Net actuarial loss	\$ 29,693,443	31,997,157
Net periodic benefit cost:		
Service cost	\$ 2,189,820	1,824,128
Interest cost	3,982,526	4,093,491
Expected return on plan assets	(3,092,445)	(3,725,791)
Amortization of net actuarial loss	3,123,877	1,681,318
Net periodic benefit cost	\$ <u>6,203,778</u>	<u>3,873,146</u>
	<u>2012</u>	<u>2011</u>
Changes other than net periodic benefit cost:		
Net actuarial loss	\$ 820,163	11,702,280
Amortization of net loss	(3,123,877)	(1,681,318)
Changes other than net periodic benefit costs	\$ <u>(2,303,714)</u>	<u>10,020,962</u>

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The assumptions used to determine the benefit obligation in the actuarial valuations at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Discount rate	3.94%	4.38%
Salary increase	4.25	4.25

The assumptions used to determine the net periodic benefit cost in the actuarial valuations at December 31, 2012 and 2011 were as follows:

	<u>2012</u>	<u>2011</u>
Discount rate	4.38%	5.29%
Salary increase	4.25	4.25
Expected return on plan assets	6.85	8.00

Estimated amounts to be amortized into net periodic benefit cost in 2013 are \$2,220,042 from net actuarial loss. 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:

2013	\$	4,459,000
2014		4,229,000
2015		4,407,000
2016		4,628,000
2017		4,855,000
2018 – 2022		28,083,000

USCCB plans to make a contribution of \$3,764,127 to the pension plan in 2013.

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.

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At December 31, 2012, the following table summarizes the plan assets within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 848,515	—	—	848,515
U.S. government and agency securities	2,857,398	—	—	2,857,398
Corporate bonds	—	1,493,872	—	1,493,872
Equity securities	23,300,940	—	—	23,300,940
Institutional mutual funds:				
Domestic equity funds	—	2,294,568	—	2,294,568
Foreign equity funds	—	4,003,561	—	4,003,561
Fixed income funds:				
U.S. government portfolio	—	6,914,245	—	6,914,245
Mortgage fund	—	2,519,916	—	2,519,916
Asset-backed fund	—	185,199	—	185,199
Mortgage-backed securities	303,089	3,829,136	—	4,132,225
Asset-backed securities	—	911,835	—	911,835
Receivables for securities sold	21,853	357,925	—	379,778
Liabilities for securities purchased	—	(280,397)	—	(280,397)
Total investments	\$ <u>27,331,795</u>	<u>22,229,860</u>	<u>—</u>	<u>49,561,655</u>

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At December 31, 2011, the following table summarizes the plan assets within the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash equivalents	\$ 1,219,807	—	—	1,219,807
U.S. government and agency securities	1,485,931	—	—	1,485,931
Corporate bonds	—	1,446,147	—	1,446,147
Equity securities	22,124,792	—	—	22,124,792
Foreign equities	86,049	—	—	86,049
Institutional mutual funds:				
Domestic equity funds	—	1,950,084	—	1,950,084
Foreign equity funds	—	3,345,594	—	3,345,594
Fixed income funds:				
U.S. government portfolio	—	3,150,487	—	3,150,487
International portfolio	—	3,040,656	—	3,040,656
Mortgage fund	—	2,458,398	—	2,458,398
Asset-backed fund	—	175,549	—	175,549
Mortgage-backed securities	245,861	4,362,900	—	4,608,761
Asset-backed securities	—	860,685	—	860,685
Receivables for securities sold	1,664	500,509	—	502,173
Liabilities for securities purchased	—	(266,675)	—	(266,675)
Total investments	\$ 25,164,104	21,024,334	—	46,188,438

The actual asset allocations for 2012 and target allocation ranges by asset category for 2012 and 2013 for the pension plan assets were as follows:

	<u>2012</u>	<u>Target allocation range</u>
Cash and cash equivalents	2%	<5%
U.S. equity securities	53%	46 – 54%
Institutional mutual funds	32%	13 – 17%
Fixed income securities	13%	31 – 39%

The expected long-term rate of return assumption of 6.85% 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.

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(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.

In 2012, the Executive Committee approved changes to the plan to change the level of benefits available for certain groups of eligible participants effective January 1, 2014. Unless grandfathered, employees retiring from the Conference after January 1, 2014 will be required to pay a percentage of the premiums.

	<u>2012</u>	<u>2011</u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 34,802,168	29,113,065
Service cost	1,097,228	707,643
Interest cost	1,577,662	1,496,665
Change in plan provisions	(6,450,999)	(768,661)
Medicare Part D benefit subsidy	100,784	24,152
Actuarial loss	9,890,908	5,654,264
Benefits paid	<u>(1,098,368)</u>	<u>(1,424,960)</u>
Benefit obligation, end of year	\$ <u>39,919,383</u>	<u>34,802,168</u>
Net periodic benefit cost:		
Service cost	\$ 1,097,228	707,643
Interest cost	1,577,662	1,496,665
Amortization of prior service credit	(784,917)	(688,594)
Amortization of net actuarial loss	<u>1,248,280</u>	<u>614,415</u>
	\$ <u>3,138,253</u>	<u>2,130,129</u>

(a) Funded Status and Accrued Liability

At December 31, 2012 and 2011, the following information sets forth the status of the health care and life insurance benefits:

	<u>2012</u>	<u>2011</u>
Accumulated benefit obligation	\$ 39,919,383	34,802,168
Fair value of plan assets	<u>—</u>	<u>—</u>
Funded status – underfunded	\$ <u>39,919,383</u>	<u>34,802,168</u>

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

	<u>2012</u>	<u>2011</u>
Changes other than net periodic benefit cost:		
Prior service credit	\$ (6,450,999)	(768,661)
Net actuarial loss	9,890,908	5,654,264
Amortization of prior service cost	784,917	688,594
Amortization of net loss	<u>(1,248,280)</u>	<u>(614,415)</u>
Total changes other than net periodic benefit cost	\$ <u>2,976,546</u>	<u>4,959,782</u>
	<u>2012</u>	<u>2011</u>
Items not yet recognized as a component of net periodic pension/benefit cost:		
Net actuarial loss	\$ 22,466,122	13,823,494
Prior service credit	<u>(8,781,792)</u>	<u>(3,115,710)</u>
	\$ <u>13,684,330</u>	<u>10,707,784</u>

Estimated amounts to be amortized into net periodic benefit cost in 2013 are \$2,030,130 from net actuarial loss and \$1,722,562 from prior service credit.

(b) Actuarial Assumptions

The following assumptions were used in calculating the actuarial valuations at December 31, 2012:

	<u>Benefit obligation</u>	<u>Net periodic benefit cost</u>
Discount rate	3.94%	4.38%
Health care cost trend rate – pre-65 claims	8.50	9.00
Health care cost trend rate – post-65 claims	7.50	8.00
Ultimate trend rate	5.00	5.00
Year ultimate trend rate is reached	2023/2023	2018/2020

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

The following assumptions were used in calculating the actuarial valuations at December 31, 2011:

	Benefit obligation	Net periodic benefit cost
Discount rate	4.38%	5.29%
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	2020/2018	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 2012 postretirement benefit cost by approximately \$513,079 and increase the accumulated postretirement benefit obligation by approximately \$6,264,345. A one-percentage-point decrease in the assumed health care cost trend rate would decrease the 2012 postretirement benefit cost by approximately \$405,036, and decrease the accumulated postretirement benefit obligation by approximately \$5,140,614.

(c) 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, 2012 and 2011, the following benefits were paid from plan assets:

	2012	2011
Benefits paid	\$ 1,098,368	1,424,960
Employer contribution	997,584	1,400,808
Medicare Part D benefit subsidy	100,784	24,152

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
2013	\$ 1,248,000	1,378,000	130,000
2014	1,314,000	1,456,000	142,000
2015	1,402,000	1,555,000	153,000
2016	1,473,000	1,639,000	166,000
2017	1,608,000	1,789,000	181,000
2018 – 2022	9,739,000	10,845,000	1,106,000
Total	\$ <u>16,784,000</u>	<u>18,662,000</u>	<u>1,878,000</u>

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

USCCB plans to make a contribution of \$1,248,487 to the postretirement benefit plan in 2013.

(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, 2012, under scheduled operating leases that have initial or remaining terms in excess of one year, are as follows:

2013	\$	318,485
2014		273,318
2015		259,724
2016		152,833
2017		52,265
Thereafter		<u>53,693</u>
Total	\$	<u><u>1,110,318</u></u>

For the years ended December 31, 2012 and 2011, rent expense under operating leases was \$313,072 and \$369,990, 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, 2012 and 2011, the total aggregate payment of multi-year employment contracts consists of the following:

	<u>2012</u>	<u>2011</u>
Contracts extend through	2015	2014
Approximate aggregate payments	\$ 1,843,000	1,656,000

(13) Subsequent Events

USCCB evaluated its December 31, 2012 consolidated financial statements for subsequent events through July 31, 2013, the date the consolidated financial statements were available to be issued. There were no items that required disclosure or recognition.