UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Financial Statements

December 31, 2011 and 2010

(With Independent Auditors' Report Thereon)

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

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KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

The Administrative Committee
United States Conference of Catholic Bishops:

We have audited the accompanying consolidated statements of financial position of the United States Conference of Catholic Bishops (USCCB) as of December 31, 2011 and 2010, and the related consolidated statement of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audits provide a reasonable basis for our opinion.

In our opinion, the December 31, 2011 and 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, 2011 and 2010, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

July 12, 2012

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Statements of Financial Position

December 31, 2011 and 2010

Assets		**2011**	**2010**
Cash and cash equivalents	$	5,361,587	6,362,286
Short-term investments (note 6)		5,046,430	7,054,385
Accounts receivable (note 2):			
Resettlement and other programs – government agencies, net		22,276,356	24,484,732
Other, net		2,356,277	2,027,553
Contributions receivable (note 2)		69,854,186	70,803,529
Inventories, net, prepaid expenses and other assets		1,187,741	1,921,407
Long-term investments (note 6)		223,921,948	221,513,229
Property and equipment, net (note 4)		15,539,765	14,692,240
Total assets	$	345,544,290	348,859,361
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	21,426,031	21,726,352
National collections grants payable		28,542,640	26,773,923
Accrued pension liability (note 9)		44,651,466	33,724,764
Accrued postretirement benefit liability (note 10)		34,802,168	29,113,065
Total liabilities		129,422,305	111,338,104
Net assets:			
Unrestricted net assets:			
General funds:			
General operating fund		10,140,397	19,030,037
Building fund		25,379,475	26,510,745
General reserve fund		5,000,000	5,000,000
Catechism fund		536,849	520,895
Local legislative initiatives fund		—	155,413
Quasi-endowment fund (note 8)		18,355,845	18,709,829
Current operating fund		(62,117,509)	(41,715,547)
National collections (note 5)		81,022,395	75,319,866
National Religious Retirement Office (note 5)		24,478,426	23,095,887
Total unrestricted net assets		102,795,878	126,627,125
Temporarily restricted net assets (note 5):			
National collections		74,971,019	71,837,128
National Religious Retirement Office		38,169,058	38,902,004
Total temporarily restricted net assets		113,140,077	110,739,132
Permanently restricted net assets (note 8)		186,030	155,000
Total net assets		216,121,985	237,521,257
Commitments and contingencies (note 12)			
Total liabilities and net assets	$	345,544,290	348,859,361

See accompanying notes to consolidated financial statements.

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

Consolidated Statement of Activities

Year ended December 31, 2011

	Unrestricted	Temporarily restricted	Permanently restricted	Total
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
	107,045,211	88,943,307	31,030	196,019,548
Net assets released from restrictions	86,542,362	(86,542,362)	—	—
Total operating revenues, gains and other support	193,587,573	2,400,945	31,030	196,019,548
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 & Advocacy activities	39,528,067	—	—	39,528,067
National collections	5,734,593	—	—	5,734,593
Total program expenses	185,731,689	—	—	185,731,689
Supporting services:				
Management and general	10,081,640	—	—	10,081,640
Total supporting services expenses	10,081,640	—	—	10,081,640
Total operating expenses	195,813,329	—	—	195,813,329
(Decrease) increase in net assets from operations	(2,225,756)	2,400,945	31,030	206,219
Nonoperating activities:				
Unrealized appreciation (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	(21,605,491)	—	—	(21,605,491)
Change in net assets	(23,831,247)	2,400,945	31,030	(21,399,272)
Net assets, beginning of year	126,627,125	110,739,132	155,000	237,521,257
Net assets, end of year	$ 102,795,878	113,140,077	186,030	216,121,985

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)	7,311,250	—	—	7,311,250
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
	104,151,564	116,269,157	155,000	220,575,721
Net assets released from restrictions	73,093,976	(73,093,976)	—	—
Total operating revenues, gains and other support	177,245,540	43,175,181	155,000	220,575,721
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
Communications, Policy & Advocacy 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	9,535,157	—	—	9,535,157
Total supporting services expenses	9,535,157	—	—	9,535,157
Total operating expenses	186,811,812	—	—	186,811,812
(Decrease) increase in net assets from operations	(9,566,272)	43,175,181	155,000	33,763,909
Nonoperating activities:				
Unrealized appreciation on investments (note 7)	16,274,654	—	—	16,274,654
Pension related expenses other than net periodic pension cost (notes 9 and 10)	(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 nonoperating 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 Statements of Cash Flows

Years ended December 31, 2011 and 2010

		2011	2010
Cash flows from operating activities:			
Change in net assets	$	(21,399,272)	103,750,451
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		5,034,127	20,788
Depreciation expense		1,160,277	1,037,164
Net realized and unrealized appreciation on long-term investments		3,036,338	(13,813,353)
(Increase) decrease in operating assets:			
Accounts receivable:			
Resettlement and other programs – government agencies		(2,720,736)	(5,642,580)
Other		(433,739)	(142,256)
Contributions receivable		949,343	(57,722,653)
Inventories, prepaid expenses and other assets		733,666	(193,599)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		(300,321)	2,205,827
National collections grants payable		1,768,717	848,587
Accrued pension liability		10,926,702	2,788,119
Accrued postretirement benefit liability		5,689,103	2,122,316
Net cash provided by (used in) operating activities		4,444,205	(22,089,071)
Cash flows from investing activities:			
Purchases of property and equipment		(2,007,802)	139,506
Sales of investments		129,630,913	119,909,572
Purchases of investments		(133,068,015)	(131,002,270)
Investments received in donation of NRRO to the USCCB (note 1)		—	28,997,417
Net cash (used in) provided by investing activities		(5,444,904)	18,044,225
Decrease in cash and cash equivalents		(1,000,699)	(4,044,846)
Cash and equivalents, beginning of year		6,362,286	10,407,132
Cash and equivalents, end of year	$	5,361,587	6,362,286

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 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 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 was closed in 2011 and had not had any activity in the three years prior to closing the fund.

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, 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 CRS and other identifiable

overseas aid programs such as the relief works of the Holy Father, Migration and Refugee Services (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 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

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. 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 2010.

(Continued)

The contribution of NRRO in 2010 was 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 contributions 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 reflect the activities of NRRO subsequent to the January 1, 2010 date of contribution.

(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, 2011 and 2010. 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, 2011 and 2010, 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 $124,300 and $110,500, 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. 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, 2011 and 2010, 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 $182,555 and $27,540, 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, 2011 and 2010 relating to contributions receivable and government agencies receivables.

At December 31, 2011 and 2010, Accounts receivable-Resettlement and other programs consisted of the following:

		2011	2010
U.S. Refugee Admissions Program	$	11,274,788	9,022,019
Refugee and Entrant Assistance-Voluntary Agency Program		10,098,825	10,000,511
Refugee and Entrant Assistance-Discretionary Grants		351,956	242,507
Unaccompanied Alien Children Program		3,004,889	2,953,370
Cuban/Haitian Entrant Resettlement Program		1,042,235	2,266,325
		25,772,693	24,484,732
Less allowance for doubtful accounts		(3,496,337)	—
Total accounts receivable-resettlements and other programs	$	22,276,356	24,484,732

At December 31, 2011 and 2010, contributions receivable consisted of the following:

		2011	2010
Catholic Campaign for Human Development	$	9,535,666	8,689,372
Catholic Communications Campaign		465,374	361,496
Catholic Homes Missions Appeal		1,270,399	604,790
Catholic Relief Service Collection		2,081,962	1,019,403
Collection for the Church in Latin America		1,300,771	819,840
Collection for Rebuild of Churches hit by Haiti earthquake		29,038,212	33,593,645
Aid to the Church in Central and Eastern Europe		1,041,509	516,176
National Religious Retirement Office		24,020,880	24,347,788
Other		1,099,413	851,019
Total contributions receivable	$	69,854,186	70,803,529

(Continued)

(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, 2011 and 2010, 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, 2011 and 2010, total contributed services revenue was $460,826 and $570,842.

(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 in the financial statements.

(q) Reclassifications

Certain reclassifications have been made to the 2010 reported amounts to conform to the 2011 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 $10,765,289 and $9,742,200 for administrative costs and program services provided for resettlement activities for the years ended December 31, 2011 and 2010, respectively. At December 31, 2011 and 2010, government contracts and grants revenue consisted of the following:

		2011	2010
U.S. Refugee Admissions Program	$	30,255,842	37,201,815
Refugee and Entrant Assistance-Voluntary Agency Programs		22,563,137	16,180,772
Refugee and Entrant Assistance-Discretionary Grants		696,151	592,195
Unaccompanied Alien Children Program		7,087,125	6,636,842
Cuban/Haitian Entrant Resettlement Program		4,148,413	5,189,809
Government Contract Revenue (Trafficking)		3,111,492	3,576,352
Total government contract and grants revenue	$	67,862,160	69,377,785

(4) Property and Equipment, Net

At December 31, 2011 and 2010, property and equipment, net, consisted of the following:

		2011	2010
Land	$	1,448,535	1,448,535
Buildings and improvements		30,881,424	29,988,973
Furniture and equipment		4,580,649	3,465,298
Total property and equipment		36,910,608	34,902,806
Less accumulated depreciation and amortization		(21,370,843)	(20,210,566)
Total property and equipment, net	$	15,539,765	14,692,240

(5) National Collections Net Assets

At December 31, 2011 and 2010, unrestricted and temporarily restricted net assets for national collections were as follows:

	2011		2010	
	Unrestricted	**Temporarily restricted**	**Unrestricted**	**Temporarily restricted**
NRRO	$ 24,478,426	38,169,058	23,095,887	38,902,004
CRSC	10,447,424	5,143,603	9,511,526	4,776,091
CCHD	37,955,811	13,156,392	35,465,483	8,281,113
CLA – Regular Collection	11,330,923	—	10,944,240	166,620
CLA – Haiti Recovery Fund	84,347	33,277,181	—	33,593,645
CCC	11,055,466	5,342,411	10,490,378	6,582,193
CHM	3,438,562	5,150,064	2,938,493	5,703,222
Church in Africa	541,161	2,361,138	390,377	3,150,481
AEE	6,004,377	6,608,082	5,579,369	6,772,785
Hurricane & Tornado Relief Fund	164,324	3,932,148	—	2,810,978
National Collections	81,022,395	74,971,019	75,319,866	71,837,128
	$ 105,500,821	113,140,077	98,415,753	110,739,132

(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, 2011, the following table summarizes investments within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
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)
Total long-term investments	$ 124,243,829	99,678,119	—	223,921,948

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

Investments include cash and cash equivalents held by long-term investment managers for reinvestment. There were no significant transfers between levels 1 and 2 during 2011 or 2010.

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, 2011 and 2010, consisted of the following:

Investment	Investment objective	NAV in funds 2011	NAV in funds 2010	Redemption restrictions/ liquidity provisions
SSGA MSCI EAFE Screened Index Non-Lending	Approximate the MSCI EAFE Index	$ 12,986,251	14,813,009	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	11,678,077	11,257,746	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	2,004,553	1,511,996	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	10,676,875	10,197,225	Redemptions permitted daily

Investment	Investment objective	NAV in funds 2011	NAV in funds 2010	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	$ 15,588,637	18,037,352	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	8,469,255	7,334,491	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	762,412	860,480	Redemptions permitted daily

The above funds have no unfunded commitments as of December 31, 2011 and 2010.

(7) Investment Income and Unrealized Appreciation/Depreciation

For the years ended December 31, 2011 and 2010, investment income consisted of the following:

		2011	2010
Long-term investments:	$		
Interest		1,849,651	1,751,329
Dividends		3,691,520	3,269,332
Realized gains		3,588,409	2,896,284
Return on long-term investments		9,129,580	7,916,945
Interest on short-term investments		5,839	20,702
Total return on investments		9,135,419	7,937,647
Less:			
Investment management fees		(783,162)	(626,397)
USCCB’s share of investment income	$	8,352,257	7,311,250

For the years ended December 31, 2011 and 2010, unrealized appreciation (loss) consisted of the following:

		2011	2010
USCCB’s share of unrealized appreciation (loss)	$	(6,624,747)	16,274,654

(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. IUSCCB 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.

The following illustrates the Villa Stritch Endowment fund net assets for years ended December 31, 2011 and 2010:

		2011	2010
Permanently restricted Villa Stritch Endowment funds, beginning of year	$	155,000	—
Contributions		25,000	155,000
Investment income		6,030	—
Permanently restricted Villa Stritch Endowment funds, end of year	$	186,030	155,000

The following illustrates the changes in unrestricted, board-designated Quasi-Endowment fund net assets for the years ended December 31, 2011 and 2010:

		2011	2010
Unrestricted, board-designated Quasi-Endowment funds, beginning of year	$	18,709,829	19,115,090
Investment return – investment income		714,346	748,421
Transfer to General Operating Fund (spending rate 5.5%)		(1,068,330)	(1,153,682)
Unrestricted, board-designated Quasi-Endowment funds, end of year	$	18,355,845	18,709,829

Realized and unrealized appreciation (depreciation) is not allocated to the Quasi-Endowment fund. In 2011 and 2010, 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.

(Continued)

The actuarial valuations of this retirement plan for 2011 and 2010 were as follows:

		2011	2010
Accumulated benefit obligation	$	84,279,251	73,468,452
Change in benefit obligation:			
Benefit obligation, beginning of year	$	80,051,987	72,187,707
Service cost		1,824,128	1,742,867
Interest cost		4,093,491	4,118,977
Actuarial loss		8,336,245	5,295,818
Benefits paid		(3,465,947)	(3,293,382)
Benefit obligation, end of year	$	90,839,904	80,051,987
Change in plan assets:			
Fair value of plan assets, beginning of year	$	46,327,223	41,251,062
Actual return on plan assets		359,756	4,602,137
Employer contributions		2,967,406	3,767,406
Benefits paid		(3,465,947)	(3,293,382)
Fair value of plan assets, end of year	$	46,188,438	46,327,223
Funded status	$	44,651,466	(33,724,764)

		2011	2010
Items not yet recognized as a component of net periodic pension benefit cost:			
Net actuarial loss	$	31,997,157	21,976,195
Net periodic benefit cost:			
Service cost	$	1,824,128	1,742,867
Interest cost		4,093,491	4,118,977
Expected return on plan assets		(3,725,791)	(3,306,395)
Amortization of net actuarial loss		1,681,318	1,384,804
Net periodic benefit cost	$	3,873,146	3,940,253

		2011	2010
Changes other than net periodic benefit cost:			
Net actuarial loss	$	11,702,280	4,000,066
Amortization of net loss		(1,681,318)	(1,384,804)
Changes other than net periodic benefit costs	$	10,020,962	2,615,262

(Continued)

The assumptions used to determine the benefit obligation in the actuarial valuations at December 31, 2011 and 2010 were as follows:

	2011	**2010**
Discount rate	4.38%	5.29%
Salary increase	4.25	4.25

The assumptions used to determine the net periodic benefit cost in the actuarial valuations at December 31, 2011 and 2010 were as follows:

	2011	**2010**
Discount rate	5.29%	5.81%
Salary increase	4.25	4.25
Expected return on plan assets	8.00	8.00

Estimated amounts to be amortized into net periodic benefit cost in 2012 are $2,907,762 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:

2012	$	4,095,261
2013		4,420,525
2014		4,549,492
2015		4,736,750
2016		5,024,945
2017 – 2021		28,486,735

USCCB plans to make a contribution of $2,092,555 to the pension plan in 2012.

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

	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 1,219,807	—	—	1,219,807
U.S. government and agency securities	1,458,931	—	—	1,458,931
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	$ 25,137,104	21,024,334	—	46,161,438

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
Institutional mutual funds:				
Domestic equity funds	—	1,721,079	—	1,721,079
Foreign equity funds	—	3,871,131	—	3,871,131
Fixed income funds:				
U.S. government portfolio	—	2,958,686	—	2,958,686
International portfolio	—	3,468,062	—	3,468,062
Mortgage fund	—	2,392,835	—	2,392,835
Asset-backed fund	—	201,916	—	201,916
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 2011 and target allocation ranges by asset category for 2011 and 2012 for the pension plan assets were as follows:

	2011	Target allocation range
Cash and cash equivalents	3%	<5%
U.S. equity securities	52%	46 – 54%
Institutional mutual funds	31%	13 – 17%
Fixed income securities	15%	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.

		2011	2010
Change in benefit obligation:			
Benefit obligation, beginning of year	$	29,113,065	26,990,749
Service cost		707,643	677,865
Interest cost		1,496,665	1,528,767
Change in plan provisions		(768,661)	—
Medicare Part D benefit subsidy		24,152	40,645
Actuarial loss		5,654,264	946,524
Benefits paid		(1,424,960)	(1,071,485)
Benefit obligation, end of year	$	34,802,168	29,113,065
Net periodic benefit cost:			
Service cost	$	707,643	677,865
Interest cost		1,496,665	1,528,767
Amortization of prior service credit		(688,594)	(688,594)
Amortization of net actuarial loss		614,415	614,386
	$	2,130,129	2,132,424

(a) *Funded Status and Accrued Liability*

At December 31, 2011 and 2010, the following information sets forth the status of the health care and life insurance benefits:

		2011	2010
Accumulated benefit obligation	$	34,802,168	29,113,065
Fair value of plan assets		—	—
Funded status – underfunded	$	34,802,168	29,113,065

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

		2011	2010
Changes other than net periodic benefit cost			
Prior service credit	$	(768,661)	—
Net actuarial loss		5,654,264	946,524
Amortization of prior service cost		688,594	688,594
Amortization of net loss		(614,415)	(614,386)
Total changes other than net periodic benefit cost	$	4,959,782	1,020,732

(Continued)

		2011	2010
Items not yet recognized as a component of net periodic pension/benefit cost:			
Net actuarial loss	$	13,823,494	8,783,645
Prior service credit		(3,115,710)	(3,035,643)
	$	10,707,784	5,748,002

Estimated amounts to be amortized into net periodic benefit cost in 2012 are $1,092,215 from net actuarial loss and $784,917 from prior service credit.

(b) Actuarial Assumptions

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 following assumptions were used in calculating the actuarial valuations at December 31, 2010:

	Benefit obligation	Net periodic benefit cost
Discount rate	5.29%	5.81%
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 2011 postretirement benefit cost by approximately $383,118 and increase the accumulated postretirement benefit obligation by approximately $4,981,223. A one-percentage-point decrease in the assumed health care cost trend rate would decrease the 2011 postretirement benefit cost by approximately $307,133, and decrease the accumulated postretirement benefit obligation by approximately $5,051,114.

(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, 2011 and 2010, the following benefits were paid from plan assets:

		2011	2010
Benefits paid	$	1,424,960	1,071,485
Employer contribution		1,400,808	1,030,840
Medicare Part D benefit subsidy		24,152	40,645

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
2012	$	1,178,380	1,281,854	103,474
2013		1,297,854	1,413,373	115,519
2014		1,410,216	1,533,611	123,395
2015		1,492,410	1,624,006	131,596
2016		1,619,160	1,762,184	143,024
2017 – 2021		9,451,448	10,303,794	852,346
Total	$	16,449,468	17,918,822	1,469,354

USCCB plans to make a contribution of $1,178,380 to the postretirement benefit plan in 2012.

(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, 2011, under scheduled operating leases that have initial or remaining terms in excess of one year, are as follows:

2012	$	281,734
2013		236,214
2014		240,055
2015		266,471
2016		153,190
Thereafter		106,699
Total	$	1,284,363

For the years ended December 31, 2011 and 2010, rent expense under operating leases was $369,990 and $401,964, 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, 2011 and 2010, the total aggregate payment of multi-year employment contracts consists of the following:

		2011	2010
Contracts extend through		2014	2013
Approximate aggregate payments	$	1,656,000	1,906,000

(13) Subsequent Events

USCCB evaluated its December 31, 2011 consolidated financial statements for subsequent events through July 12, 2012, the date the consolidated financial statements were available to be issued. There were no items that required disclosure or recognition.