



**THE BRIDGEPORT ROMAN CATHOLIC
DIOCESAN CORPORATION**

**COMBINED FINANCIAL STATEMENTS
TOGETHER WITH REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

DECEMBER 31, 2011 and 2010

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INDEPENDENT AUDITORS' REPORT

To Monsignor Jerald A. Doyle, Administrator
The Bridgeport Roman Catholic Diocesan Corporation
Bridgeport, Connecticut

We have audited the accompanying combined statements of financial position of The Bridgeport Roman Catholic Diocesan Corporation (the "Diocese") as of December 31, 2011 and 2010, and the related combined statements of activities, functional expenses by natural classification, and cash flows for the years then ended. These combined financial statements are the responsibility of the Diocese's management. Our responsibility is to express an opinion on these combined 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 combined 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 internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall combined financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements enumerated above present fairly, in all material respects, the financial position of The Bridgeport Roman Catholic Diocesan Corporation as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

New York, New York
June 15, 2012

The Bridgeport Roman Catholic Diocesan Corporation

COMBINED STATEMENT OF FINANCIAL POSITION

(Amounts in Thousands)

ASSETS

	<u>December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 6,816	\$ 2,605
Accounts and advances receivable from other Diocesan entities, net	8,377	8,163
Cemeteries and other accounts receivable	1,413	2,494
Pledges receivable, net	1,171	796
Investments held for long-term purposes and beneficial interest in perpetual trust	24,292	27,806
Property and equipment, net	<u>46,987</u>	<u>48,135</u>
Total assets	<u>\$ 89,056</u>	<u>\$ 89,999</u>

LIABILITIES AND NET DEFICIT

Liabilities:		
Accounts payable to other Diocesan entities	\$ 1,420	\$ 2,182
Other accounts payable and accrued expenses	4,161	5,527
Special collections payable	611	435
Self-insurance claims and deductible amounts payable	6,321	6,040
Cemeteries refundable advances	1,087	2,004
Notes payable to financial institutions	16,230	8,821
Conditional asset retirement obligations	4,587	4,325
Pension and other retirement obligations	<u>84,862</u>	<u>75,361</u>
Total liabilities	<u>119,279</u>	<u>104,695</u>
Commitments and contingencies		
Net (deficit) assets:		
Unrestricted	(54,366)	(38,228)
Temporarily restricted	2,338	1,722
Permanently restricted	<u>21,805</u>	<u>21,810</u>
Total net deficit	<u>(30,223)</u>	<u>(14,696)</u>
Total liabilities and net deficit	<u>\$ 89,056</u>	<u>\$ 89,999</u>

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

The Bridgeport Roman Catholic Diocesan Corporation

COMBINED STATEMENT OF ACTIVITIES

(Amounts in Thousands)

	Years Ended December 31,	
	2011	2010
Changes in Unrestricted Net Assets:		
Revenues and gains:		
Annual Bishop's Appeal and other contributions and bequests	\$ 11,090	\$ 10,652
Cathedraticum from parishes	2,857	2,772
Employee benefit and insurance programs revenues from other Diocesan entities	13,296	15,618
Insurance recoveries related to prior years' claims	385	63
Cemeteries and other operating revenues	9,032	10,276
Investment gain	97	2,132
Total revenues and gains	<u>36,757</u>	<u>41,513</u>
Net assets released from restrictions	409	265
Total revenues, gains and other support	<u>37,166</u>	<u>41,778</u>
Expenses:		
Services and contributions to other Diocesan entities and other parties	12,473	12,530
Operations	6,257	6,171
Employee benefit and insurance programs	21,915	28,412
Administration and general	5,939	6,338
Fundraising	1,195	1,134
Total expenses	<u>47,779</u>	<u>54,585</u>
Decrease in unrestricted net assets before recognition of pension and priests' post-retirement healthcare obligations	(10,613)	(12,807)
Adjustment to recognize funded status of pension and priests' post-retirement healthcare obligations	(5,525)	10,313
Decrease in unrestricted net assets	<u>(16,138)</u>	<u>(2,494)</u>
Changes in Temporarily Restricted Net Assets:		
Annual Bishop's Appeal and other contributions and bequests	1,171	227
Investment (loss) gain	(146)	840
Net assets released from restrictions	(409)	(265)
Increase in temporarily restricted net assets	<u>616</u>	<u>802</u>
Changes in Permanently Restricted Net Assets:		
Contributions	26	25
(Decrease) increase in beneficial interest in perpetual trust and other	(31)	33
(Decrease) increase in permanently restricted net assets	(5)	58
Decrease in net assets	<u>(15,527)</u>	<u>(1,634)</u>
Net deficit at beginning of year	<u>(14,696)</u>	<u>(13,062)</u>
Net deficit at end of year	<u>\$ (30,223)</u>	<u>\$ (14,696)</u>

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

The Bridgeport Roman Catholic Diocesan Corporation

COMBINED STATEMENT OF FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

(Amounts in Thousands)

Year Ended December 31, 2011

	Compensation and Benefits	Contributions	Professional Services and Insurance	Office, Occupancy, Supplies, Travel and Other	Claim Settlements	Depreciation and Accretion	Interest	Total
Services and contributions to other Diocesan entities and other parties:								
Pastoral services of the Bishop, Vicars General and the Chancellor	\$ 573	\$ -	\$ 23	\$ 139	\$ -	\$ -	\$ -	\$ 735
Clergy and religious personnel services, including Queen of Clergy	1,187	-	257	510	-	156	23	2,133
Education administration and curriculum services	735	-	761	153	-	-	-	1,649
Ministries for pastoral outreach including hospital and correctional center chaplains, priests and religious assigned to special ministries and Safe Environments	1,378	-	463	187	-	-	-	2,028
Vocations and St. John Fisher Seminary services	1,510	-	73	421	-	20	-	2,024
Parish Life and Ministries including Christian formation, religious education services and the Newman Center	432	-	169	293	-	16	-	910
Parish Finance Services	404	-	48	14	-	-	-	466
Tribunal	472	-	38	8	-	-	-	518
Contributions to Diocesan schools and after school programs	-	1,267	-	-	-	-	-	1,267
Contributions to Catholic Charities of Fairfield County, Inc.	-	532	-	-	-	-	-	532
Contributions to other Diocesan entities and other parties	-	211	-	-	-	-	-	211
	<u>6,691</u>	<u>2,010</u>	<u>1,832</u>	<u>1,725</u>	<u>-</u>	<u>192</u>	<u>23</u>	<u>12,473</u>
Operations:								
Cemeteries	2,516	-	321	1,200	-	449	-	4,486
Fairfield County Catholic	467	-	99	344	-	-	-	910
St. Catherine Academy	499	-	71	201	-	78	12	861
	<u>3,482</u>	<u>-</u>	<u>491</u>	<u>1,745</u>	<u>-</u>	<u>527</u>	<u>12</u>	<u>6,257</u>
Employee benefit and insurance programs	<u>16,457</u>	<u>-</u>	<u>3,994</u>	<u>-</u>	<u>1,450</u>	<u>-</u>	<u>14</u>	<u>21,915</u>
Administration and general	<u>2,671</u>	<u>-</u>	<u>917</u>	<u>1,030</u>	<u>-</u>	<u>1,048</u>	<u>273</u>	<u>5,939</u>
Fundraising	<u>587</u>	<u>-</u>	<u>30</u>	<u>578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,195</u>
TOTAL	<u>\$ 29,888</u>	<u>\$ 2,010</u>	<u>\$ 7,264</u>	<u>\$ 5,078</u>	<u>\$ 1,450</u>	<u>\$ 1,767</u>	<u>\$ 322</u>	<u>\$ 47,779</u>

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

The Bridgeport Roman Catholic Diocesan Corporation

COMBINED STATEMENT OF FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

(Amounts in Thousands)

Year Ended December 31, 2010

	Compensation and Benefits	Contributions	Professional Services and Insurance	Office, Occupancy, Supplies, Travel and Other	Claim Settlements	Depreciation and Accretion	Interest	Total
Services and contributions to other Diocesan entities and other parties:								
Pastoral services of the Bishop, Vicars General and the Chancellor	\$ 554	\$ -	\$ 23	\$ 179	\$ -	\$ -	\$ -	\$ 756
Clergy and religious personnel services, including Queen of Clergy	1,048	-	238	721	-	156	24	2,187
Education administration and curriculum services	823	-	881	282	-	-	-	1,986
Ministries for pastoral outreach including hospital and correctional center chaplains, priests and religious assigned to special ministries and Safe Environments	1,165	-	188	255	-	-	-	1,608
Vocations and St. John Fisher Seminary services	868	-	60	387	-	19	-	1,334
Parish Life and Ministries including Christian formation, religious education services and the Newman Center	498	-	162	316	-	16	-	992
Parish Finance Services	448	-	57	17	-	-	-	522
Tribunal	451	-	30	15	-	-	-	496
Contributions to Diocesan schools and after school programs	-	1,393	-	-	-	-	-	1,393
Contributions to Catholic Charities of Fairfield County, Inc.	-	681	-	-	-	-	-	681
Contributions to other Diocesan entities and other parties	-	575	-	-	-	-	-	575
	<u>5,855</u>	<u>2,649</u>	<u>1,639</u>	<u>2,172</u>	<u>-</u>	<u>191</u>	<u>24</u>	<u>12,530</u>
Operations:								
Cemeteries	2,603	-	229	1,198	-	461	-	4,491
Fairfield County Catholic	460	-	84	348	-	-	-	892
St. Catherine Academy	478	-	81	144	-	73	12	788
	<u>3,541</u>	<u>-</u>	<u>394</u>	<u>1,690</u>	<u>-</u>	<u>534</u>	<u>12</u>	<u>6,171</u>
Employee benefit and insurance programs	<u>21,212</u>	<u>-</u>	<u>5,199</u>	<u>-</u>	<u>1,986</u>	<u>-</u>	<u>15</u>	<u>28,412</u>
Administration and general	<u>2,776</u>	<u>-</u>	<u>1,118</u>	<u>1,121</u>	<u>-</u>	<u>1,099</u>	<u>224</u>	<u>6,338</u>
Fundraising	<u>620</u>	<u>-</u>	<u>10</u>	<u>504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,134</u>
TOTAL	<u>\$ 34,004</u>	<u>\$ 2,649</u>	<u>\$ 8,360</u>	<u>\$ 5,487</u>	<u>\$ 1,986</u>	<u>\$ 1,824</u>	<u>\$ 275</u>	<u>\$ 54,585</u>

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

The Bridgeport Roman Catholic Diocesan Corporation

COMBINED STATEMENT OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31,	
	2011	2010
Cash flows from operating activities:		
Decrease in net assets	\$ (15,527)	\$ (1,634)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Contributions of marketable securities	(298)	(303)
Net depreciation (appreciation) in fair value of investments	538	(2,702)
Depreciation of property and equipment and accretion of conditional asset retirement obligations	1,767	1,824
Endowment contributions	(26)	(25)
Changes in assets and liabilities:		
Increase in accounts and advances receivable from other Diocesan entities	(214)	(1,694)
Decrease in cemeteries and other accounts receivable	1,081	381
(Increase) decrease in pledges receivable	(375)	221
(Decrease) increase in accounts payable to other Diocesan entities	(762)	378
(Decrease) increase in other accounts payable and accrued expenses	(1,366)	774
Increase (decrease) in special collections payable	176	(137)
Increase in self-insurance claims and deductible amounts payable	281	1,410
Decrease in cemeteries refundable advances	(917)	(358)
Increase (decrease) in pension and other retirement obligations	9,501	(2,197)
Net cash used in operating activities	<u>(6,141)</u>	<u>(4,062)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(326)	(304)
Proceeds from sale of investments	7,756	7,159
Purchases of investments	(2,770)	(5,799)
Net change in money market funds and certificates of deposit	(1,743)	630
Net cash provided by investing activities	<u>2,917</u>	<u>1,686</u>
Cash flows from financing activities:		
Principal payments on notes payable	(7,591)	(236)
Proceeds from notes payable	15,000	2,350
Proceeds from endowment contributions	26	25
Net cash provided by financing activities	<u>7,435</u>	<u>2,139</u>
Net increase (decrease) in cash and cash equivalents	4,211	(237)
Cash and cash equivalents, beginning of year	<u>2,605</u>	<u>2,842</u>
Cash and cash equivalents, end of year	<u>\$ 6,816</u>	<u>\$ 2,605</u>
Interest payments during the year	<u>\$ 324</u>	<u>\$ 277</u>

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

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE A – ORGANIZATION

The Bridgeport Roman Catholic Diocesan Corporation (the “Diocese”) is a not-for-profit, religious non-stock corporation formed under the laws of the State of Connecticut in 1953. The members of the corporation and the Board of Directors (the “Board”) are the Bishop, the three Vicars General and the Chancellor of the Diocese of Bridgeport, and two priests appointed by the Bishop.

The Diocese provides pastoral, clergy and religious personnel, Christian formation and religious education, vocations, educational administration and curriculum, parish finance and tribunal services to other Diocesan entities and other parties. These services include the St. John Fisher Seminary, The Catherine Dennis Keefe Queen of Clergy retirement home for Diocesan Priests and the Newman Center at Western Connecticut State University. The Diocese also makes financial contributions to other Diocesan entities and other parties. The Diocese directly operates St. Catherine Academy, a school for children with disabilities; twelve Catholic cemeteries; and publishes the Fairfield County Catholic, a monthly publication available to all Catholics in the Diocese.

The Diocese relies principally on contributions received through the Annual Bishop’s Appeal to support the services the Diocese provides, the contributions made to other Diocesan entities and other parties, fundraising efforts and the Fairfield County Catholic operations not covered by advertising revenues. Cathedraticum from parishes together with residual Catholic cemeteries revenues support the administration and general activities of the Diocese. St. Catherine Academy relies on tuition revenues to support its operating activities.

In addition, the Diocese sponsors primarily self-insured medical and dental care and workers’ compensation programs, property, casualty, liability and other insurance programs, and pension and retirement plans for the Diocese and other Diocesan entities and their employees. The other Diocesan entities are responsible for their portions of the cost of these programs and pension plans.

The other Diocesan entities throughout Fairfield County, Connecticut include:

- 82 parishes and 1 shrine
- 31 elementary, one middle and five high schools
- Cardinal Shehan Center and the McGivney Community Center, after school programs for children
- Catholic Charities of Fairfield County, Inc. (“Catholic Charities”)
- Nine government-subsidized Bishop Curtis Homes, Teresian Towers and Carmel Ridge Estates, homes for the elderly
- St. Joseph’s Manor, Inc., Pope John Paul II Center for Health Care, Inc. and St. Camillus Home, Inc., provide pastoral care at the nursing home facilities formerly owned by these entities
- Faith in the Future Fund, Inc. (“Faith in the Future”), an endowment fund
- Inner-City Foundation for Charity and Education, Inc.

The Diocese is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described under Section 501(c)(3).

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE A – (continued)

Financial Position and Decrease in Net Assets

These combined financial statements reflect a net deficit at December 31, 2011. The net deficit arose initially during the eighteen months ended December 31, 2009 principally from investment losses experienced in pension plan and other investment portfolios in the fall of 2008 and continuing into March 2009. In addition, inclusion of a single Annual Bishop's Appeal revenues but inclusion of eighteen months of Annual Bishop's Appeal funded expenses resulting from the change in fiscal year to December 31 from June 30 contributed significantly to the decrease. Finally, there was a shortfall in revenues from Diocesan schools for employee benefits provided through the Diocese for the schools' employees. The Diocese is taking concerted actions to address these problems. The Diocese has frozen benefits under its defined benefit pension plans for lay employees and adopted a defined contribution plan to reduce, over time, its retirement expenses and exposure to investment losses in the frozen plans (Note I). It is seeking to sell certain parcels of unused land to fund the one-time shortfall in Annual Bishop's Appeal revenues covering Annual Bishop's Appeal funded expenses. Further, the Diocese is continuing to evaluate its employee healthcare programs to reduce this expense and thereby improve the Diocesan schools' ability to meet their obligations for employee healthcare.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Presentation*

The Diocese's combined financial statements are presented in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

The combined financial statements include the accounts of the Diocese, reflecting its activities and direct operations, and the accounts of the Faith in the Future Fund, Inc. that is managed by the Diocese. All significant inter-entity transactions and balances have been eliminated. The remaining other Diocesan entities identified in Note A are separately incorporated and/or managed on a day-to-day basis and their accounts are not included in the combined financial statements.

Net assets are classified as unrestricted, temporarily restricted or permanently restricted based upon the existence or absence of donor-imposed restrictions limiting the use of the contributed assets as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that either expire by the passage of time or can be fulfilled or otherwise removed by actions of the Diocese.

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE B – (continued)

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Diocese.

Donor contributions are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed temporary or permanent restrictions. When temporary restrictions either expire by the passage of time or are fulfilled or otherwise removed by actions of the Diocese, the related net assets are reclassified to unrestricted net assets and any related expenses are reported as a decrease in unrestricted net assets. When contribution restrictions are fulfilled in the fiscal period in which the contribution is received, the contribution is reported as an increase in unrestricted net assets.

2. *Cash and Cash Equivalents*

Cash and cash equivalents include cash and money market funds held in banks as well as temporary cash investments with original maturities of 90 days or less. Cash and cash equivalents exclude such amounts held by financial institutions as part of the Diocese's investment portfolio.

3. *Donor Contributions*

Gifts and pledges that represent unconditional promises to give are recorded when received or made, respectively. Pledges are recorded net of an allowance for uncollectible amounts based on prior experience and related trends. Pledges that will be met over periods in excess of a year are discounted to present value using a risk-free interest rate. Amortization of the discount is reported in subsequent periods as additional contributions. Pledges receivable are written off when uncollectibility is highly probable.

Contributions of non-monetary assets are recorded at the estimated fair value of the assets contributed. Unpaid volunteers make significant contributions of time to various activities of the Diocese. The value of this contributed time is not reflected in the combined financial statements because the services did not require specialized skills or enhance assets and thus did not meet the criteria for recognition under GAAP.

4. *Cemeteries Revenues*

The Catholic cemeteries sell rights to interment and entombment on retail installment contracts generally of not more than one year's duration, without interest. The amounts received are normally refundable to the buyer, subject to a processing fee, until amounts due have been received in full. Such sales are deferred and recorded as refundable advances until the amounts receivable have been collected in full and the sale is then recognized as revenue.

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE B – (continued)

A portion of revenue from sales is invested and the investment income is available for perpetual care and maintenance of cemetery property. In addition, owners of private property improvements (private mausoleums, estate walls) at the cemeteries provide revenue that is held in trust by the Diocese and invested in perpetuity with the investment income available for care and maintenance of the property improvements.

5. Investments and Investment Returns

Investments, including those held in trusts for Diocesan pension plans (Note I), are reported at fair value. Fair value is established under a hierarchy that prioritizes observable and unobservable input techniques for fair value measurements. Level 1 inputs are the highest priority and Level 3 inputs are the lowest priority. A financial instrument's level is the lowest level of input that is significant to its fair value measurement, as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets.

Level 2 – Quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not considered active; observable inputs other than quoted prices; or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Significant unobservable inputs.

Levels 2 and 3 fair values are estimated using the net asset value (“NAV”) as reported by the related investment manager or advisor. The NAV is a practical expedient used recognizing the Diocese's ability to redeem its investments in those funds in the near term, monthly for Level 2 and quarterly for Level 3. Estimated values may differ significantly from the values that would have been reported had a ready market for these investments existed.

Investment returns reported in the combined statement of activities include interest, dividends and realized and unrealized appreciation and depreciation, and are reduced by investment management and transaction fees. Securities transactions are recorded on a trade-date basis. Interest is recorded as earned and dividends are recorded as of the ex-dividend date.

6. Property and Equipment

Property and equipment are reported at cost. Depreciation is determined using the straight-line method over the estimated service lives of the related assets as follows:

Furniture and fixtures	10 years
Vehicles, computers and other equipment	5 - 12 years
Buildings and improvements	30 - 40 years
Land improvements	30 years

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE B – (continued)

7. Conditional Asset Retirement Obligations

The Diocese has conditional asset retirement obligations for asbestos materials and underground storage tanks associated with buildings it owns. Those obligations are defined as legal obligations associated with the retirement of tangible long-lived assets in which the timing and/or the method of settlement is conditional on a future event that may or may not be within the control of the Diocese. The present value of those obligations and the resulting accretion expense, together with the related asset retirement cost capitalized, accumulated depreciation and depreciation expense, are recognized in the combined financial statements.

8. Endowments

Endowment gift amounts are reported as permanently restricted net assets. Investment returns, net of investment expenses, are reported as temporarily restricted net assets until approved for expenditure, at which time the approved amounts are reported as net assets released from restrictions. If the approval is for expenditure in a future year, the amount is reported as net assets released from restrictions in the future year. If, as a result of investment losses, the fair value of endowment assets is less than the related endowment gift amounts, the deficiency is reported as a decrease in unrestricted net assets. Future investment income related to those endowment assets is reported as increases in unrestricted net assets until the deficiency is eliminated.

9. Special Collections

Parishes throughout the Diocese conduct special offertory collections on designated days for the benefit of other non-Diocesan Catholic entities at the direction of the U.S. Conference of Catholic Bishops. In addition, the parishes conduct a special Loaves and Fishes collection during Lent for the benefit of Catholic Charities. The amounts collected by the parishes are remitted to the Diocese and then transferred to the entities for whom the collections were conducted. The parishes and the Diocese act as agents for the collections and the amounts collected are not revenues to the parishes or the Diocese and are recorded as liabilities.

10. Subsequent Events

Management of the Diocese has evaluated all transactions and events that occurred through June 15, 2012, the date these combined financial statements were available to be issued, for recognition and/or disclosure in these combined financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE C – ACCOUNTS AND ADVANCES RECEIVABLE FROM OTHER DIOCESAN ENTITIES

Accounts and advances receivable from other Diocesan entities, net, consist of the following at December 31:

	2011	2010
Parishes	\$ 8,549	\$ 8,523
Elementary, middle and high schools	21,553	18,902
Other	<u>1,405</u>	<u>1,536</u>
	31,507	28,961
Less: Allowance for uncollectible amounts	<u>(23,130)</u>	<u>(20,798)</u>
	<u>\$ 8,377</u>	<u>\$ 8,163</u>

Accounts and advances receivable arise principally from amounts due for employee benefit and insurance programs (Note N), cathedraticum from parishes and advances made to parishes for renovation and repair projects. There is an advance to the Diocesan middle school for major renovation of the middle school facilities in the amount of \$916 and \$1,256 at December 31, 2011 and 2010, respectively, that was funded with proceeds from a term loan (Note G) and is being repaid by the middle school in monthly installments of \$24.2.

The allowance for uncollectible amounts is based on the individual entity's financial condition and ability to pay the amounts due and amounts are written off when uncollectibility is highly probable.

NOTE D – PLEDGES RECEIVABLE

Pledges receivable, primarily from the Annual Bishops Appeal, at December 31, 2011 and 2010 are shown below. The discount rates used to determine present values for pledges due in more than one year after the pledge is made range from .625% to 3.375%.

	2011			2010
	Less than one year	One to six years	Total	Total
Pledges receivable	\$ 908	\$ 531	\$ 1,439	\$ 1,079
Allowance for uncollectible amounts	(250)	-	(250)	(264)
Discount to present value	<u>-</u>	<u>(18)</u>	<u>(18)</u>	<u>(19)</u>
Pledges receivable, net	<u>\$ 658</u>	<u>\$ 513</u>	<u>\$ 1,171</u>	<u>\$ 796</u>

Pledges receivable, net, includes \$515 and \$150 at December 31, 2011 and 2010, respectively, that is designated by donors for other Diocesan entities and is included in accounts payable due to other Diocesan entities.

The Bridgeport Roman Catholic Diocesan Corporation

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE E – INVESTMENTS

Investments, including those held in trust by a third party, consist of the following at December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	2011			
Equity securities:				
Domestic:				
Large-cap growth	\$ 1,380	\$ -	\$ -	\$ 1,380
Large-cap value	1,300	-	-	1,300
Small/mid-cap value	328	-	-	328
Small-cap value	268	-	-	268
International	<u>1,112</u>	<u>-</u>	<u>-</u>	<u>1,112</u>
	4,388			4,388
Debt securities	165	-	-	165
Mutual funds:				
Debt securities	2,098	-	-	2,098
Equity securities:				
Domestic large-cap	465	-	-	465
Emerging markets	550	-	-	550
Other	174	-	-	174
Multi-asset, multi-strategy	6,240	-	-	6,240
Alternative investment funds	-	-	1,246	1,246
Futures funds	-	562	-	562
Cash/money markets	7,280	-	-	7,280
Catholic Umbrella Pool and beneficial interest in third party trust	<u>-</u>	<u>-</u>	<u>1,124</u>	<u>1,124</u>
Total	<u>\$ 21,360</u>	<u>\$ 562</u>	<u>\$ 2,370</u>	<u>\$ 24,292</u>
Diocese	\$ 6,739	\$ 101	\$ 1,447	\$ 8,287
Faith in the Future	<u>14,621</u>	<u>461</u>	<u>923</u>	<u>16,005</u>
Total	<u>\$ 21,360</u>	<u>\$ 562</u>	<u>\$ 2,370</u>	<u>\$ 24,292</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE E – (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	2010			
Equity securities:				
Domestic:				
Large-cap growth	\$ 1,813	\$ -	\$ -	\$ 1,813
Large-cap value	1,707	-	-	1,707
Small/mid-cap value	354	-	-	354
Small-cap value	341	-	-	341
International	<u>1,482</u>	<u>-</u>	<u>-</u>	<u>1,482</u>
	5,697	-	-	5,697
Mutual funds:				
Debt securities	9,717	-	-	9,717
Equity securities:				
Emerging markets	1,119	-	-	1,119
Domestic large-cap	267	-	-	267
Other	136	-	-	136
Multi-asset, multi-strategy	1,530	-	-	1,530
Alternative investment funds	-	-	1,785	1,785
Futures fund	-	485	-	485
Cash/money markets	6,041	-	-	6,041
Catholic Umbrella Pool and beneficial interest in third party trust	<u>-</u>	<u>-</u>	<u>1,029</u>	<u>1,029</u>
Total	<u>\$ 24,507</u>	<u>\$ 485</u>	<u>\$ 2,814</u>	<u>\$ 27,806</u>
Diocese	\$ 6,850	\$ 106	\$ 1,619	\$ 8,575
Faith in the Future	<u>17,657</u>	<u>379</u>	<u>1,195</u>	<u>19,231</u>
Total	<u>\$ 24,507</u>	<u>\$ 485</u>	<u>\$ 2,814</u>	<u>\$ 27,806</u>

The Level 3 fair value measurement investments include eight alternative investment funds that employ various investment strategies including merger arbitrage, long and short domestic and non-United States equity positions, capital structure arbitrage, event driven arbitrage, distressed debt, event driven/special situations, leveraged non-traditional and absolute return not correlated to equity or fixed income indices. The alternative investment funds are not individually significant as each did not exceed 1.5% and 1.9% at December 31, 2011 and 1.5% and .9% at December 31, 2010 of their respective Diocese and Faith in the Future portfolios. In addition, Level 3 fair value measurement investments include the Diocese's interest in the Catholic Umbrella Pool, an excess liability, self-insurance fund (not-for-profit corporation) serving Catholic dioceses throughout North America, and a beneficial interest in a third party trust. The changes in these investments are as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	\$ 2,814	\$ 2,574
Investment returns included in changes in net assets	76	274
Purchases and settlements, net	<u>(520)</u>	<u>(34)</u>
Balance at end of year	<u>\$ 2,370</u>	<u>\$ 2,814</u>

The Bridgeport Roman Catholic Diocesan Corporation

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE E – (continued)

Investments are attributable to the following at December 31:

	<u>Diocese</u>	<u>Faith in the Future</u>	<u>Total</u>
		2011	
Permanently restricted assets	\$ 1,264	\$ 15,558	\$ 16,822
Temporarily restricted assets	191	631	822
Unrestricted assets	<u>6,832</u>	<u>(184)</u>	<u>6,648</u>
Total investments	<u>\$ 8,287</u>	<u>\$ 16,005</u>	<u>\$ 24,292</u>
		2010	
Permanently restricted assets	\$ 1,252	\$ 18,478	\$ 19,730
Temporarily restricted assets	175	846	1,021
Unrestricted assets	<u>7,148</u>	<u>(93)</u>	<u>7,055</u>
Total investments	<u>\$ 8,575</u>	<u>\$ 19,231</u>	<u>\$ 27,806</u>

Investment gain (loss) related to the above investments consists of the following for the years ended December 31:

	<u>Diocese</u>	<u>Faith in the Future</u>	<u>Total</u>
		2011	
Net depreciation in fair value of investments	\$ (20)	\$ (518)	\$ (538)
Dividends and interest	<u>204</u>	<u>386</u>	<u>590</u>
	184	(132)	52
Less investment fees	<u>(26)</u>	<u>(106)</u>	<u>(132)</u>
Net investment gain (loss)	<u>\$ 158</u>	<u>\$ (238)</u>	<u>\$ (80)</u>
		2010	
Net appreciation in fair value of investments	\$ 468	\$ 2,234	\$ 2,702
Dividends and interest	<u>144</u>	<u>291</u>	<u>435</u>
	612	2,525	3,137
Less investment fees	<u>(28)</u>	<u>(104)</u>	<u>(132)</u>
Net investment gain	<u>\$ 584</u>	<u>\$ 2,421</u>	<u>\$ 3,005</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	<u>2011</u>	<u>2010</u>
Furniture and fixtures	\$ 1,306	\$ 1,289
Vehicles, computers and other equipment	3,222	3,157
Buildings and improvements	57,781	58,958
Land improvements	829	775
Land	<u>18,725</u>	<u>17,392</u>
	81,863	81,571
Accumulated depreciation	<u>(34,876)</u>	<u>(33,436)</u>
Property and equipment, net	<u>\$ 46,987</u>	<u>\$ 48,135</u>

Land and buildings owned by the Diocese with a net book value of \$12,142 at December 31, 2011 are provided to Diocesan high schools, elementary schools and the middle school for their use rent free. In addition, land and buildings owned by the Diocese with a net book value of \$1,479 at December 31, 2011 are leased to Sacred Heart University through April 30, 2080, with Sacred Heart University paying for all utilities, maintenance and repairs, and insurance, in exchange for tuition credits currently in the amount of \$180 per year. The tuition credits are utilized by teachers in Diocesan schools seeking advanced degrees and by Diocesan seminarians seeking undergraduate degrees or individual courses.

NOTE G – NOTES PAYABLE TO FINANCIAL INSTITUTION

The Diocese had the following notes payable at December 31:

	<u>2011</u>	<u>2010</u>
Promissory note, interest at 5%, monthly interest only payments, currently \$62.5, through December 2016 and from January 2017 through December 2031, the maturity date, equal monthly payments of principal and interest such that the borrowing will be fully amortized at the maturity date	\$ 15,000	\$ -
Commercial revolving loan note, interest at the financial institution's prime rate or LIBOR plus 250 basis points at the Diocese's option, but not less than 4%, 4% at December 31, 2010, repaid December 21, 2011	-	7,202
Term loan note, interest at the financial institution's prime rate, but not less than 4%, 4% at December 31, 2011 and 2010, with monthly principal payments of \$24.2 through February 2015 and balance due at maturity on March 31, 2015	916	1,256
Term loan note, interest at the financial institution's prime rate, 3.25% at December 31, 2011 and 2010, with monthly principal payments of \$3.75 commencing March 2010 through September 2013 and balance due at maturity October 1, 2013	<u>314</u>	<u>363</u>
	<u>\$ 16,230</u>	<u>\$ 8,821</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE G – (continued)

The promissory note was issued to a financial institution in December 2011 and the proceeds were used to repay in full the commercial revolving loan note issued to another financial institution, following paragraph, among other uses. The promissory note is secured by a) first mortgages on 9 properties owned by the Diocese and one property owned by Augustana Homes, Inc., an affiliated entity, all located in Fairfield County, Connecticut, b) a first priority security interest in certain related personal property and c) security interests in Diocesan investment accounts in the amount of \$5,000.

The Diocese could borrow up to \$7,500 under the commercial revolving loan note and all borrowings under that note were secured by a mortgage deed to the financial institution covering seven parcels of unimproved land owned by the Diocese in Fairfield County, Connecticut.

The term loan agreements, maturity March 31, 2015 and October 1, 2013, with the same financial institution as the commercial revolving loan note, are for borrowings that were used to renovate the middle school facility owned by the Diocese (Notes C and F) and to renovate facilities used by St. Catherine Academy (Note A) at Holy Cross Parish in Fairfield, respectively. The term loan agreements are secured by a mortgage deed covering land and buildings owned by the Diocese in Stamford, Connecticut that also secures a guarantee (Note P) made by the Diocese with respect to a loan made by that financial institution to a parish in the amount of \$299 at December 31, 2011.

Future maturities of notes payable are as follows at December 31, 2011:

	<u>Year ending December 31</u>	
2012	\$	335
2013		559
2014		290
2015		46
2016		-
Thereafter		<u>15,000</u>
Total	\$	<u>16,230</u>

NOTE H – CONDITIONAL ASSET RETIREMENT OBLIGATIONS

Changes in conditional asset retirement obligations for asbestos material and underground storage tanks associated with buildings owned by the Diocese are as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	\$ 4,325	\$ 4,073
Accretion	<u>262</u>	<u>252</u>
Balance at end of year	<u>\$ 4,587</u>	<u>\$ 4,325</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

**NOTE I – PENSION AND RETIREMENT PLANS AND RETIRED PRIESTS’
HEALTHCARE PLAN**

Defined Benefit Pension Plans

Bridgeport Diocesan Pension Plan (“BDPP”)

The BDPP is a non-contributory, defined benefit pension plan qualified under Internal Revenue Service regulations. The BDPP covers lay employees of the Diocese and other Diocesan entities working at least 20 hours per week who met eligibility requirements of three years of continuous service and 30 years of age on or before July 2, 2008. Effective July 31, 2010, pension benefits under the plan were frozen. No additional benefits will be earned by participants for services rendered after that date. Pension benefits are based on years of service and average compensation over a five-year period during the last ten years of employment prior to July 31, 2010. Plan assets are held in trust by a third party trustee. The Diocese expects that the funding shortfall in the plan (see below) will be eliminated through future contributions to the plan from the Diocese and other Diocesan entities over the remaining lives of current and future retirees under the plan.

Diocese of Bridgeport Retirement Plan for Priests (“RPP”)

The RPP is a non-contributory, defined benefit plan qualified under Internal Revenue Service regulations. The RPP covers Diocesan priests with pension benefits provided at a uniform monthly amount that has been increased from time to time, most recently effective January 2007. Plan assets are held by a third-party trustee.

Benefit obligations (measurement date December 31), funded status and other information for the BDPP and RPP are as follows:

	December 31,			
	2011		2010	
	BDPP	RPP	BDPP	RPP
Projected benefit obligation	\$ (150,647)	\$ (19,144)	\$ (150,929)	\$ (19,299)
Plan assets at fair value	<u>79,489</u>	<u>14,975</u>	<u>88,013</u>	<u>15,899</u>
Funded status	<u>\$ (71,158)</u>	<u>\$ (4,169)</u>	<u>\$ (62,916)</u>	<u>\$ (3,400)</u>

Amounts not recognized in net periodic pension expense reported as a reduction of unrestricted net assets in the combined statements of activities:

Transition (obligations) assets	\$ -	\$ 30	\$ -	\$ 33
Prior service expense	-	(539)	-	(583)
Net loss	<u>(40,789)</u>	<u>(3,621)</u>	<u>(35,920)</u>	<u>(2,837)</u>
	<u>\$ (40,789)</u>	<u>\$ (4,130)</u>	<u>\$ (35,920)</u>	<u>\$ (3,387)</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE I – (continued)

	Year Ended December 31,			
	2011		2010	
	BDPP	RPP	BDPP	RPP
Net periodic pension expense (measurement date January 1, 2011 and 2010, respectively)	\$ 4,812	\$ 497	\$ 8,854	\$ 687
Amortization included in net periodic pension expense:				
Transition obligation (asset)	\$ -	\$ (3)	\$ 888	\$ (3)
Prior service expense	-	44	4	44
Net loss	2,521	54	2,799	118
	<u>\$ 2,521</u>	<u>\$ 95</u>	<u>\$ 3,691</u>	<u>\$ 159</u>
Amounts arising:				
Net (loss) gain	\$ (7,391)	\$ (842)	\$ 739	\$ 1,005
(Decrease) increase in unrestricted net assets to recognize funded status	\$ (4,870)	\$ (747)	\$ 9,286	\$ 1,165
Diocesan contributions	\$ 1,441	\$ 475	\$ 1,867	\$ 401
Benefits paid	\$ 7,701	\$ 1,105	\$ 7,246	\$ 990

Assumptions

	At December 31,			
	2011		2010	
	BDPP	RPP	BDPP	RPP
Assumed annual rate used to determine:				
Benefit obligations:				
Discount	5.25%	5.25%	5.25%	5.00%

	Year Ended December 31,			
	2011		2010	
	BDPP	RPP	BDPP	RPP
Net periodic pension expense:				
Discount	5.25%	5.00%	5.75%	5.50%
Long-term return on plan assets	6.50%	6.50%	6.50%	6.50%
Compensation increase	N/A	N/A	3.00%	N/A

The discount rates used to determine benefit obligations and net periodic pension expense reflect rates for a hypothetical portfolio of high quality fixed income corporate securities available at the measurement date whose maturities specifically correspond to future expected benefit payments.

The assumed annual rates of long-term return on plan assets are based on historical rates of return over the last fifty years on similarly constructed portfolios provided by the plans' professional investment advisors. If accumulated benefit obligations were determined using the assumed long-term rates of return on plan assets as

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE I – (continued)

the discount rates, the fair value of plan assets would represent 60.3% and 88.2% of those accumulated benefit obligations at December 31, 2011 for the BDPP and RPP, respectively.

Future amortization, contribution and benefit payments

For the year ending December 31, 2012:

	<u>BDPP</u>	<u>RPP</u>
Estimated amortization to be included in net periodic pension expense:		
Transition obligation (asset)	\$ -	\$ (3)
Prior service expense	-	44
Net loss	<u>3,208</u>	<u>104</u>
	<u>\$ 3,208</u>	<u>\$ 145</u>
Estimated Diocesan contributions	<u>\$ 2,750</u>	<u>\$ 650</u>

Estimated benefit payments for the years ending December 31:

	<u>BDPP</u>	<u>RPP</u>
2012	\$ 8,321	\$ 1,253
2013	\$ 8,668	\$ 1,308
2014	\$ 8,940	\$ 1,327
2015	\$ 9,224	\$ 1,356
2016	\$ 9,450	\$ 1,360
2017 through 2021	\$ 51,595	\$ 6,660

Investment policies and plan assets

The investment policies of the plans were determined by the Diocese in consultation with professional investment advisors and the BDPP Committee and the RPP Board, the latter groups consisting of both clergy and lay people. The policies feature diversified asset allocations, multiple asset managers in asset categories and moderate to low risk profiles. The Diocese seeks investment returns that meet or exceed the assumed long term rate of return on plan assets (see above) used to determine net periodic pension expense.

The Bridgeport Roman Catholic Diocesan Corporation

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE I – (continued)

Target asset allocations were as follows at December 31, 2011:

	<u>BDPP</u>	<u>RPP</u>
Equity securities:		
Domestic:		
Large-cap growth	7.5%	14.0%
Large-cap value	8.4%	14.0%
Small/mid-cap value	1.5%	4.5%
Small-cap value	1.5%	4.5%
International	4.1%	10.0%
Mutual funds:		
Debt securities	35.0%	46.0%
Equity securities:		
Emerging markets	5.0%	3.0%
International	3.0%	-
Multi-asset, multi-strategy	13.0%	-
Other	4.0%	.8%
Alternative investment funds	12.5%	3.2%
Futures funds	4.5%	-
	<u>100%</u>	<u>100%</u>

The plans' investments are as follows at December 31:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	2011			
Equity securities:				
Domestic:				
Large-cap growth	\$ 7,873	\$ -	\$ -	\$ 7,873
Large-cap value	8,950	-	-	8,950
Small/mid-cap value	2,067	-	-	2,067
Small-cap value	2,032	-	-	2,032
International	<u>4,295</u>	<u>-</u>	<u>-</u>	<u>4,295</u>
	25,217	-	-	25,217
Mutual funds:				
Debt securities	35,500	-	-	35,500
Equity securities:				
Emerging markets	4,040	-	-	4,040
International	2,687	-	-	2,687
Multi-asset, multi-strategy	10,753	-	-	10,753
Other	3,101	-	-	3,101
Alternative investment funds	-	-	8,529	8,529
Futures funds	-	2,852	-	2,852
Cash/money markets	<u>1,785</u>	<u>-</u>	<u>-</u>	<u>1,785</u>
Total	<u>\$ 83,083</u>	<u>\$ 2,852</u>	<u>\$ 8,529</u>	<u>\$ 94,464</u>
BDPP	\$ 68,108	\$ 2,852	\$ 8,529	\$ 79,489
RPP	<u>14,975</u>	<u>-</u>	<u>-</u>	<u>14,975</u>
	<u>\$ 83,083</u>	<u>\$ 2,852</u>	<u>\$ 8,529</u>	<u>\$ 94,464</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE I – (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	2010			
Equity Securities				
Domestic:				
Large-cap growth	\$ 9,005	\$ -	\$ -	\$ 9,005
Large-cap value	9,625	-	-	9,625
Small/mid-cap value	2,326	-	-	2,326
Small-cap value	2,195	-	-	2,195
International	<u>8,330</u>	-	-	<u>8,330</u>
	31,481	-	-	31,481
Mutual funds:				
Debt securities	47,397	-	-	47,397
Equity securities – emerging markets	4,823	-	-	4,823
Alternative investment funds	7,417	-	-	7,417
Futures fund	-	-	7,317	7,317
Cash/money markets	-	3,001	-	3,001
Total	<u>2,476</u>	-	-	<u>2,476</u>
	<u>\$ 93,594</u>	<u>\$ 3,001</u>	<u>\$ 7,317</u>	<u>\$ 103,912</u>
BDPP				
RPP	\$ 77,695	\$ 3,001	\$ 7,317	\$ 88,013
	<u>15,899</u>	-	-	<u>15,899</u>
	<u>\$ 93,594</u>	<u>\$ 3,001</u>	<u>\$ 7,317</u>	<u>\$ 103,912</u>

The Level 3 fair value measurement investments are in nine alternative investment funds described in Note E. The alternative investment funds are not individually significant as each did not exceed 2.6% and 1.3% of the BDPP investment portfolio at December 31, 2011 and 2010, respectively. The changes in these investments were as follows for the years ended December 31:

	2011	2010
Balance at January 1	\$ 7,317	\$ 5,617
Investment returns included in changes in net assets	(934)	537
Purchases and settlements, net	<u>2,146</u>	<u>1,163</u>
Balance at December 31	<u>\$ 8,529</u>	<u>\$ 7,317</u>

Bridgeport Diocesan Cash Balance Plan (“BDCBP”)

The BDCBP is a non-contributory, defined benefit pension plan qualified under Internal Revenue Service regulations. The BDCBP covers lay employees of the Diocese and other Diocesan entities working at least 20 hours per week who met eligibility requirements of three years of continuous service and 30 years of age on or after July 3, 2008 and on or before July 31, 2010. Pension benefits are based on individual participant’s pension accounts that are credited with an annual contribution at a percentage of the participant’s compensation based on years of service as a participant in the plan and with interest credits at the 30-year U.S. Treasury securities rate plus 1%. Effective July 31, 2010, participation in the plan was frozen and no additional benefits will be earned in the plan by participants for services rendered after that date. The plan has not been funded as of December 31, 2011. The plan will be funded, terminated and participants’ pension account balances distributed in 2012, and approval to do so obtained from the Internal Revenue Service. The benefit obligation for participants’ pension accounts was \$251 and \$246 at December 31, 2011 and 2010,

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE I – (continued)

respectively, and is included in pension and other retirement obligations. Net periodic pension expense was \$5 and \$152 for the years ended December 31, 2011 and 2010, respectively.

Former Pension Plan for Priests

The Diocese also provides pensions under a plan that was superseded by the RPP to five priests who were retired before adoption of the RPP and were not eligible for the RPP by reason of their advanced age when the RPP was adopted. The present value of the estimated obligation to these priests was \$355 and \$377 determined using a discount rate of 5.25% and 5.00% at December 31, 2011 and 2010, respectively, and is included in pension and other retirement obligations. Pension payments were \$100 for each of the years ended December 31, 2011 and 2010. The obligation is unfunded. The actuarial loss together with interest on the obligation is included in other pension expense for priests and amounted to \$80 and \$87 for the years ended December 31, 2011 and 2010, respectively.

Bridgeport Diocesan Defined Contribution Retirement Plan (“BDDCRP”)

The BDDCRP, established effective August 1, 2010, covers lay employees of the Diocese and other Diocesan entities working at least 20 hours per week who meet the eligibility requirements of one year of service and 21 years of age. Contributions are for service on and after August 1, 2010 and are based on years of service to Diocesan entities, including years of service prior to August 1, 2010, at rates of 3%, 5% or 7%, with long serving employees at August 1, 2010 at rates of 10% or 13%. The employer entities’ obligations are limited to the contribution amounts. Contributions are remitted monthly to the third party trustee. The Diocese’s expense was \$377 and \$155 for the years ended December 31, 2011 and 2010, respectively.

Retired Priests’ Healthcare Plan

The Diocese provides medical and dental care for retired priests on an unfunded basis through insurance purchased annually from a third party. Accumulated benefit obligation (measurement date December 31), funded status and other information for the plan are as follows:

	December 31,	
	2011	2010
Accumulated benefit obligation, representing funded status, discount rate* of 5.25% and 5.50%, respectively	\$ 8,929	\$ 8,422
Amounts not recognized in net periodic healthcare expense:		
Transition obligation	\$ 2,438	\$ 2,632
Prior service expense	447	483
Net loss	2,444	2,306
	<u>\$ 5,329</u>	<u>\$ 5,421</u>

*See comment on discount rates under *Defined Benefit Pension Plans* above

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE I – (continued)

	Years Ended December 31,	
	2011	2010
Net periodic healthcare expense, measurement date January 1, 2011 and 2010, respectively, and discount rate of 5.50%	<u>\$ 945</u>	<u>\$ 1,022</u>
Amortization included in net periodic healthcare expense:		
Transition obligation, 20 years through June 30, 2024	\$ 195	\$ 195
Prior service expense, 19 years through June 30, 2024	36	36
Net loss	<u>51</u>	<u>113</u>
	<u>\$ 282</u>	<u>\$ 344</u>
Amounts arising:		
Net loss, in 2011 representing reduction in discount rate to 5.25% from 5.50% partially offset by experience gains and in 2010 representing elimination of Medicare Part D subsidy partially offset by reduction in ultimate healthcare cost trend rate to 5% from 6%	<u>\$ 190</u>	<u>\$ 482</u>
Increase (reduction) in unrestricted net assets to recognize funded status	<u>\$ 92</u>	<u>\$ (138)</u>
Premiums paid	<u>\$ 345</u>	<u>\$ 317</u>

Annual insurance premiums are assumed to increase 8% in 2012 with increases trending to 5% in 2015.

Estimated premium payments are as follows for the years ended December 31:

2012	\$ 347
2013	\$ 373
2014	\$ 400
2015	\$ 427
2016	\$ 456
2017 through 2021	\$ 2,629

Estimated amortization to be included in net periodic healthcare expense is \$312 for the year ended December 31, 2012.

NOTE J – ENDOWMENTS

The Faith in the Future endowment fund has common and individual donor endowments principally for operations of Diocesan high schools, elementary schools, St. John Fisher Seminary, vocations and religious education in parishes, as well as for scholarships to Diocesan high schools. Additionally, the Diocese has three endowments that donors have established to benefit St. Thomas Church Fairfield, Connecticut, a religious order and other third party charities, Catherine Dennis Keefe Queen of Clergy retirement home for Diocesan priests and scholarships to St. Catherine Academy. The donors have specified that the gift amounts be

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE J – (continued)

invested and only the related investment returns may be spent for the designated purposes. The State of Connecticut has adopted a version of the Uniform Prudent Management of Institutional Funds Act and Faith in the Future and the Diocese have interpreted that version as requiring preservation of the fair value of the gift amounts as of the gift dates of donor designated endowment funds, absent explicit donor stipulations to the contrary. Neither the Diocese nor Faith in the Future have Board designated endowments.

Faith in the Future has a policy of making annual distributions (reported as contribution expense) from its common donor endowment at a rate of 4.5% of the trailing, from December 31, twelve quarters average fair value of the related endowment investments. The rate was established to preserve the earning power of the endowment investments and the ability to make distributions in years when investment losses are incurred. Distributions from Faith in the Future individual donor endowments are made in accordance with the donors' stipulations. Distributions from the Diocese's endowments are generally made annually at amounts that do not exceed accumulated investment income. If, as a result of investment losses, the fair value of the endowment investments is less than the related endowment gift amounts, no distributions are made.

The net asset classifications of endowments are as follows, at December 31:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
	2011			
Faith in the Future	\$ (184)	\$ 627	\$ 20,541	\$ 20,984
Diocese	-	77	814	891
	<u>\$ (184)</u>	<u>\$ 704</u>	<u>\$ 21,355</u>	<u>\$ 21,875</u>
	2010			
Faith in the Future	\$ (94)	\$ 846	\$ 20,508	\$ 21,260
Diocese	-	77	814	891
	<u>\$ (94)</u>	<u>\$ 923</u>	<u>\$ 21,322</u>	<u>\$ 22,151</u>

Changes in the endowments by net asset classification were as follows for the years ended December 31:

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
	2011			
Balance at December 31, 2010	\$ (94)	\$ 923	\$ 21,322	\$ 22,151
Contributions	-	-	26	26
Investment returns:				
Interest and dividends	-	393	-	393
Net appreciation in fair value	(90)	(432)	7	(515)
Investment expenses	-	(114)	-	(114)
Distributions made	-	(66)	-	(66)
	<u>(90)</u>	<u>(219)</u>	<u>33</u>	<u>(276)</u>
Balance at December 31, 2011	<u>\$ (184)</u>	<u>\$ 704</u>	<u>\$ 21,355</u>	<u>\$ 21,875</u>

The Bridgeport Roman Catholic Diocesan Corporation

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE J – (continued)

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
		2010		
Balance at December 31, 2009	\$ (1,687)	\$ 140	\$ 21,293	\$ 19,746
Contributions	-	-	25	25
Investment returns:				
Interest and dividends	-	298	-	298
Net appreciation in fair value	1,593	635	4	2,232
Investment expenses	-	(112)	-	(112)
Distributions made	-	(38)	-	(38)
	<u>1,593</u>	<u>783</u>	<u>29</u>	<u>2,405</u>
Balance at December 31, 2010	<u>\$ (94)</u>	<u>\$ 923</u>	<u>\$ 21,322</u>	<u>\$ 22,151</u>

NOTE K – TEMPORARILY RESTRICTED NET ASSETS

The Diocese had temporarily restricted net assets available for the following purposes at December 31:

	<u>2011</u>	<u>2010</u>
Faith in the Future investment income and contributions:		
Diocesan schools, St. John Fisher Seminary, vocations and religious education programs	\$ 504	\$ 704
Diocesan high school scholarships	<u>172</u>	<u>242</u>
	<u>676</u>	<u>946</u>
Diocese:		
The Catherine Dennis Keefe Queen of Clergy facilities	1,087	-
St. Catherine Academy facilities	-	37
St. Catherine Academy scholarships	89	105
St. John Fisher Seminary facilities	11	21
St. John Fisher Seminary financial assistance to seminarians	53	54
The Newman Center	113	106
Other	<u>17</u>	<u>16</u>
	<u>1,370</u>	<u>339</u>
Total purpose restrictions	2,046	1,285
Pledges receivable representing time restrictions	<u>292</u>	<u>437</u>
Total temporarily restricted net assets	<u>\$ 2,338</u>	<u>\$ 1,722</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE K – (continued)

Net assets were released from restrictions as follows during the years ended December 31:

	<u>2011</u>	<u>2010</u>
Satisfaction of purpose restrictions	\$ 259	\$ 190
Expiration of time restrictions	<u>150</u>	<u>75</u>
Total net assets released from restriction	<u>\$ 409</u>	<u>\$ 265</u>

NOTE L – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are as follows at December 31:

	<u>2011</u>	<u>2010</u>
Faith in the Future:		
Endowment gifts received	\$ 20,424	\$ 20,392
Endowment pledges receivable	<u>116</u>	<u>116</u>
	<u>20,540</u>	<u>20,508</u>
Diocese:		
Endowment gifts received	814	814
Beneficial interest in perpetual trust held by third party trustee	<u>451</u>	<u>488</u>
	<u>1,265</u>	<u>1,302</u>
Total permanently restricted net assets	<u>\$ 21,805</u>	<u>\$ 21,810</u>

The net assets are permanently restricted for the benefit of the following at December 31:

	<u>2011</u>	<u>2010</u>
Faith in the Future:		
Diocesan schools, St. John Fisher Seminary vocations and religious education programs	\$ 18,827	\$ 18,827
Diocesan high school scholarships	<u>1,713</u>	<u>1,681</u>
	<u>20,540</u>	<u>20,508</u>
Diocese:		
St. Catherine Academy scholarships	50	50
St. John Fisher Seminary financial assistance to seminarians	700	737
St. Thomas Church Fairfield, Connecticut	206	206
The Sisters of Mercy	103	103
Catherine Dennis Keefe Queen of Clergy retirement home for Diocesan Priests	103	103
Charities designated annually by the Bishop	<u>103</u>	<u>103</u>
	<u>1,265</u>	<u>1,302</u>
Total permanently restricted net assets	<u>\$ 21,805</u>	<u>\$ 21,810</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE M – ANNUAL BISHOP’S APPEAL AND OTHER CONTRIBUTIONS AND BEQUESTS

The results of the Diocesan Annual Bishop’s Appeal and other contributions and bequests were as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Annual Bishop’s Appeal (ABA) - gross	\$ 12,161	\$ 11,336
Other contributions and bequests	2,378	1,262
Less -		
Returns to parishes as incentive for exceeding parish 2010 ABA goals	-	(110)
ABA amounts designated by donors for:		
Diocesan schools and after school programs	(1,361)	(876)
Catholic Charities	(718)	(569)
Allowance for uncollectable amounts	<u>(199)</u>	<u>(164)</u>
Annual Bishop’s Appeal and other contributions and bequests - net	<u>\$ 12,261</u>	<u>\$ 10,879</u>
Reported as changes in:		
Unrestricted net assets	\$ 11,090	\$ 10,652
Temporarily restricted net assets	<u>1,171</u>	<u>227</u>
	<u>\$ 12,261</u>	<u>\$ 10,879</u>

NOTE N – EMPLOYEE BENEFIT AND INSURANCE PROGRAMS

Employee benefit and insurance program revenues from other Diocesan entities were as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Medical and dental self-insurance	\$ 7,702	\$ 9,708
Liability, property, casualty and other insurance	1,954	1,853
Workers’ compensation insurance, self-insurance in 2010	844	458
Lay pensions	2,374	3,190
Priests’ pensions	<u>422</u>	<u>409</u>
Total employee benefit and insurance program revenues from other Diocesan entities	<u>\$ 13,296</u>	<u>\$ 15,618</u>

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE N – (continued)

Expenses related to the employee benefit and insurance programs were as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>
Medical and dental claims, excess claims insurance premiums and third party administrative fees	\$ 13,279	\$ 15,033
Liability, property, casualty and other insurance premiums and charges for deductible amounts	4,621	6,127
Workers' compensation claims, excess claims insurance premiums and third party administrative fees	1,660	782
Bridgeport Diocesan Pension Plan and Bridgeport Diocesan Cash Balance Plan net periodic pension expense (Note I)	4,817	9,006
Diocese of Bridgeport Retirement Plan for Priests net periodic pension expense (Note I)	497	687
Other pension expense for priests	<u>80</u>	<u>87</u>
Total employee benefit and insurance program expenses	24,954	31,722
Less amounts included in services, operations, administration and general, and fundraising expenses of the Diocese	<u>(3,039)</u>	<u>(3,310)</u>
Net employee benefit and insurance program expenses	<u>\$ 21,915</u>	<u>\$ 28,412</u>

The employee benefit and insurance program revenues are determined at the beginning of the year and not adjusted for actual expenses incurred and included in employee benefit and insurance programs expenses in the combined statement of activities. Actual expenses are considered in determining the revenues for the following year.

The liability for incurred but not reported claims related to self-insurance and deductible amounts was \$2,821 and \$3,395 at December 31, 2011 and 2010, respectively, and is included in self-insurance claims and deductible amounts payable.

NOTE O – CONCENTRATION OF CREDIT RISK

The Diocese has cash accounts with a bank and the balances in those accounts generally exceed the federally insured maximum amount of \$250. At December 31, 2011, the excess was \$5,845. While the Diocese has not experienced any losses on the accounts, there can be no assurance in the current environment that losses will not occur.

NOTE P – CONTINGENCIES

The Diocese is a defendant in various lawsuits relating to abuse and other claims where plaintiffs are seeking to recover damages, some of which would be covered by insurance. The outcome of these lawsuits is uncertain but the Diocese does not believe the outcomes will materially impact net assets.

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE P – (continued)

The Diocese has unconditionally guaranteed in the event of default, loans from banks to other Diocesan entities principally related to the construction of facilities. The fair value of the guarantee obligations to stand ready to perform on Diocesan entity loans from banks has not been determined or recorded. At December 31, 2011 the aggregate balances outstanding on these loans was \$6,435 and the related weighted average interest rate was 5.01% and the weighted average maturity was 10.55 years.