EISNERAMPER
ACCOUNTANTS & ADVISORS

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION

COMBINED FINANCIAL STATEMENTS
TOGETHER WITH REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2012 and 2011

CONTENTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of The Bridgeport Roman Catholic Diocesan Corporation (the "Diocese"), which are comprised of the combined statements of financial position as of December 31, 2012 and 2011, and the related combined statements of activities, functional expenses by natural classification, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

The Diocese's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the combined financial statements, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of The Bridgeport Roman Catholic Diocesan Corporation as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

New York, New York
June 19, 2013

The Bridgeport Roman Catholic Diocesan Corporation

COMBINED STATEMENT OF FINANCIAL POSITION

(Amounts in Thousands)

ASSETS

	December 31, 2012		December 31, 2011	
Cash and cash equivalents	**$**	**2,778**	$	6,816
Accounts and advances receivable from other Diocesan entities, net		**8,410**		8,377
Cemeteries and other accounts receivable		**3,066**		1,413
Pledges receivable, net		**1,084**		1,171
Investments held for long-term purposes and beneficial interest in perpetual trust		**24,935**		24,292
Property and equipment, net		**45,916**		46,987
Total assets	**$**	**86,189**	$	89,056

LIABILITIES AND NET DEFICIT

	2012		2011	
Liabilities:				
Accounts payable to other Diocesan entities	**$**	**2,222**	$	1,420
Other accounts payable and accrued expenses		**4,580**		4,161
Special collections payable		**550**		611
Self-insurance claims and deductible amounts payable		**7,438**		6,321
Cemeteries refundable advances		**1,431**		1,087
Notes payable to financial institutions		**15,895**		16,230
Conditional asset retirement obligations		**4,833**		4,587
Pension and other retirement obligations		**98,743**		84,862
Total liabilities		**135,692**		119,279
Commitments and contingencies				
Net (deficit) assets:				
Unrestricted		**(75,172)**		(54,366)
Temporarily restricted		**3,798**		2,338
Permanently restricted		**21,871**		21,805
Total net deficit		**(49,503)**		(30,223)
Total liabilities and net deficit	**$**	**86,189**	$	89,056

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, 2012	2011
Changes in Unrestricted Net Assets:		
Revenues and gains:		
Annual Bishop's Appeal and other contributions and bequests	**$ 10,469**	$ 11,090
Cathedraticum from parishes	**3,049**	2,857
Employee benefit and insurance programs revenues from other Diocesan entities	**15,255**	13,296
Insurance recoveries related to prior years' claims	**156**	385
Cemeteries and other operating revenues	**7,957**	9,032
Investment gain	**640**	97
Total revenues and gains	**37,526**	36,757
Net assets released from restrictions	**281**	409
Total revenues, gains and other support	**37,807**	37,166
Expenses:		
Services and contributions to other Diocesan entities and other parties	**11,978**	12,473
Operations	**6,241**	6,257
Employee benefit and insurance programs	**23,048**	21,915
Administration and general	**5,633**	5,939
Fundraising	**1,228**	1,195
Total expenses	**48,128**	47,779
Decrease in unrestricted net assets before recognition of pension and priests' post-retirement healthcare obligations	**(10,321)**	(10,613)
Adjustment to recognize funded status of pension and priests' post-retirement healthcare obligations	**(10,485)**	(5,525)
Decrease in unrestricted net assets	**(20,806)**	(16,138)
Changes in Temporarily Restricted Net Assets:		
Annual Bishop's Appeal and other contributions and bequests	**604**	1,171
Investment gain (loss)	**1,137**	(146)
Net assets released from restrictions	**(281)**	(409)
Increase in temporarily restricted net assets	**1,460**	616
Changes in Permanently Restricted Net Assets:		
Contributions	**25**	26
Increase (decrease) in beneficial interest in perpetual trust and other	**41**	(31)
Increase (decrease) in permanently restricted net assets	**66**	(5)
Decrease in net assets	**(19,280)**	(15,527)
Net deficit at beginning of year	**(30,223)**	(14,696)
Net deficit at end of year	**$ (49,503)**	$ (30,223)

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

COMBINED STATEMENT OF FUNCTIONAL EXPENSES BY NATURAL CLASSIFICATION

(Amounts in Thousands)

	Year Ended December 31, 2012							
	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	$ 520	$ -	$ 32	$ 119	$ -	$ -	$ -	**$ 671**
Clergy and religious personnel services, including Queen of Clergy	1,063	-	241	422	-	156	29	**1,911**
Education administration and curriculum services	779	-	453	152	-	-	-	**1,384**
Ministries for pastoral outreach including hospital and correctional center chaplains, priests and religious assigned to special ministries and Safe Environments	1,485	-	534	168	-	-	-	**2,187**
Vocations and St. John Fisher Seminary services	1,332	-	73	414	-	34	-	**1,853**
Parish Life and Ministries including Christian formation, religious education services and the Newman Center	483	-	130	265	-	16	-	**894**
Parish Finance Services	470	-	50	13	-	-	-	**533**
Tribunal	408	-	31	10	-	-	-	**449**
Contributions to Diocesan schools and after school programs	-	1,341	-	-	-	-	-	**1,341**
Contributions to Catholic Charities of Fairfield County, Inc.	-	593	-	-	-	-	-	**593**
Contributions to other Diocesan entities and other parties	-	162	-	-	-	-	-	**162**
	6,540	2,096	1,544	1,563	-	206	29	**11,978**
Operations:								
Cemeteries	2,674	-	438	941	-	442	-	**4,495**
Fairfield County Catholic	481	-	86	323	-	-	-	**890**
St. Catherine Academy	487	-	98	182	-	79	10	**856**
	3,642	-	622	1,446	-	521	10	**6,241**
Employee benefit and insurance programs	18,025	-	4,004	-	1,000	-	19	**23,048**
Administration and general	1,989	-	916	990	-	1,036	702	**5,633**
Fundraising	650	-	21	557	-	-	-	**1,228**
TOTAL	$ 30,846	$ 2,096	$ 7,107	$ 4,556	$ 1,000	$ 1,763	$ 760	**$ 48,128**

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

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**
	6,691	2,010	1,832	1,725	-	192	23	**12,473**
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**
	3,482	-	491	1,745	-	527	12	**6,257**
Employee benefit and insurance programs	16,457	-	3,994	-	1,450	-	14	**21,915**
Administration and general	2,671	-	917	1,030	-	1,048	273	**5,939**
Fundraising	587	-	30	578	-	-	-	**1,195**
TOTAL	$ 29,888	$ 2,010	$ 7,264	$ 5,078	$ 1,450	$ 1,767	$ 322	**$ 47,779**

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, 2012	2011
Cash flows from operating activities:		
Decrease in net assets	**$ (19,280)**	$ (15,527)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Contributions of marketable securities	**(293)**	(298)
Net (appreciation) depreciation in fair value of investments	**(1,436)**	538
Depreciation of property and equipment and accretion of conditional asset retirement obligations	**1,763**	1,767
Endowment contributions	**(25)**	(26)
Changes in assets and liabilities:		
Increase in accounts and advances receivable from other Diocesan entities	**(33)**	(214)
(Increase) decrease in cemeteries and other accounts receivable	**(1,653)**	1,081
Decrease (increase) in pledges receivable	**87**	(375)
Increase (decrease) in accounts payable to other Diocesan entities	**802**	(762)
Increase (decrease) in other accounts payable and accrued expenses	**419**	(1,366)
(Decrease) increase in special collections payable	**(61)**	176
Increase in self-insurance claims and deductible amounts payable	**1,117**	281
Increase (decrease) in cemeteries refundable advances	**344**	(917)
Increase in pension and other retirement obligations	**13,881**	9,501
Net cash used in operating activities	**(4,368)**	(6,141)
Cash flows from investing activities:		
Purchases of property and equipment	**(411)**	(326)
Proceeds from sale of investments	**2,503**	7,756
Purchases of investments	**(3,846)**	(2,770)
Net change in money market funds and certificates of deposit	**2,394**	(1,743)
Net cash provided by investing activities	**640**	2,917
Cash flows from financing activities:		
Principal payments on notes payable	**(335)**	(7,591)
Proceeds from notes payable	**-**	15,000
Proceeds from endowment contributions	**25**	26
Net cash (used in) provided by financing activities	**(310)**	7,435
Net increase (decrease) in cash and cash equivalents	**(4,038)**	4,211
Cash and cash equivalents, beginning of year	**6,816**	2,605
Cash and cash equivalents, end of year	**$ 2,778**	$ 6,816
Interest payments during the year	**$ 760**	$ 324

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 Administrator and the Chancellor of the Diocese of Bridgeport, and two priests appointed by the Administrator. Prior to May 16, 2012, when he was installed as the Archbishop of the Archdiocese of Baltimore, the Bishop of the Diocese and the three Vicars General of the Diocese were also members of the corporation and the Board.

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, the Newman Center at Western Connecticut State University and pastoral care services for residents at nursing homes formerly owned by Diocesan entities Saint Joseph's Manor, Incorporated, The Blessed Pope John Paul II Center for Health Care, Inc. and St. Camillus Home, Inc. 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 one 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 Augustana (Bishop Curtis) Homes, Teresian Towers and Carmel Ridge Estates, homes for the elderly
* Bridgeport Diocesan Healthcare Properties, Inc., Saint Joseph Properties LLC, The Blessed Pope John Paul II Properties LLC and St. Camillus Properties, LLC, owners of land on which nursing homes formerly owned by their name sake entities are located.
* Faith in the Future Fund, Inc. ("Faith in the Future"), an endowment fund
* Inner-City Foundation for Charity and Education, Inc.

NOTE A – (continued)

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), except to the extent it has taxable income from activities unrelated to its exempt purposes, and is not required to file federal or state income tax returns. The Diocese has no activities unrelated to its exempt purposes.

Financial Position and Decrease in Net Assets

These combined financial statements reflect a net deficit at December 31, 2012. 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, the decline in the discount rate used to determine pension obligations has resulted in significant increases in those obligations. 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 participation and 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). 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.

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.

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

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 19, 2013, the date these combined financial statements were available to be issued, for recognition and/or disclosure in these 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:

	2012	2011
Parishes	$ 9,102	$ 8,549
Elementary, middle and high schools	22,887	21,553
Other	1,235	1,405
	33,224	31,507
Less: Allowance for uncollectible amounts	(24,814)	(23,130)
	$ 8,410	$ 8,377

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 $627 and $916 at December 31, 2012 and 2011, 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, 2012 and 2011 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 .28% to 3.25%.

	2012			2011
	Less than one year	One to six years	Total	Total
Pledges receivable	$ 959	$ 357	$ 1,316	$ 1,439
Allowance for uncollectible amounts	(221)	-	(221)	(250)
Discount to present value	-	(11)	(11)	(18)
Pledges receivable, net	$ 738	$ 346	$ 1,084	$ 1,171

Pledges receivable, net, includes $381 and $515 at December 31, 2012 and 2011, respectively, that is designated by donors for other Diocesan entities and is included in accounts payable due to other Diocesan entities.

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:

	Level 1	Level 3	Total
		2012	
Equity securities:			
Domestic:			
Large-cap growth	$ 1,559	$ -	$ 1,559
Large-cap value	1,993	-	1,993
Large-cap dividend	136	-	136
Mid-cap value	488	-	488
Small-cap value	452	-	452
International	1,254	-	1,254
	5,882	-	5,882
Debt securities	174	-	174
Mutual funds:			
Debt securities	7,138	-	7,138
Equity securities:			
Large-cap growth	120	-	120
Large-cap blend	189	-	189
Emerging markets	865	-	865
Other	152	-	152
Multi-asset, multi-strategy	2,200	-	2,200
Other	775	-	775
	11,439	-	11,439
Cash/money market funds	4,886	-	4,886
Alternative investment funds	-	1,459	1,459
Catholic Umbrella Pool and beneficial interest in third-party trust	-	1,095	1,095
Total	$ 22,381	$ 2,554	$ 24,935
Diocese	$ 6,195	$ 1,406	$ 7,601
Faith in the Future	16,186	1,148	17,334
Total	$ 22,381	$ 2,554	$ 24,935

(Amounts in Thousands)

NOTE E – (continued)

	Level 1	Level 2	Level 3	Total
		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	1,112	-	-	1,112
	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
	9,527	-	-	9,527
Cash/money market funds	7,280	-	-	7,280
Futures funds	-	562	-	562
Alternative investment funds	-	-	1,246	1,246
Catholic Umbrella Pool and beneficial interest in third-party trust	-	-	1,124	1,124
Total	$ 21,360	$ 562	$ 2,370	$ 24,292
Diocese	$ 6,739	$ 101	$ 1,447	$ 8,287
Faith in the Future	14,621	461	923	16,005
Total	$ 21,360	$ 562	$ 2,370	$ 24,292

The Level 3 fair value measurement investments include 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 1.7% and 1.6% at December 31, 2012 and 1.5% and 1.9% at December 31, 2011 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

(Amounts in Thousands)

NOTE E – (continued)

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:

	2012	2011
Balance at beginning of year	$ 2,370	$ 2,814
Investment returns included in changes in net assets	75	76
Purchases and settlements, net	109	(520)
Balance at end of year	$ 2,554	$ 2,370

Investments are attributable to the following at December 31:

	Diocese	Faith in the Future	Total
		2012	
Permanently restricted assets	$ 1,295	$ 15,593	$ 16,888
Temporarily restricted assets	206	1,752	1,958
Unrestricted assets	6,100	(11)	6,089
Total investments	$ 7,601	$ 17,334	$ 24,935
		2011	
Permanently restricted assets	$ 1,264	$ 15,558	$ 16,822
Temporarily restricted assets	191	631	822
Unrestricted assets	6,832	(184)	6,648
Total investments	$ 8,287	$ 16,005	$ 24,292

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

	Diocese	Faith in the Future	Total
		2012	
Net appreciation in fair value of investments	$ 297	$ 1,141	$ 1,438
Dividends and interest	249	287	536
	546	1,428	1,974
Less investment fees	(32)	(124)	(156)
Net investment gain	$ 514	$ 1,304	$ 1,818

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE E – (continued)

	2011		
Net depreciation in fair value of investments	$ (20)	$ (518)	$ (538)
Dividends and interest	204	386	590
	184	(132)	52
Less investment fees	(26)	(106)	(132)
Net investment gain (loss)	$ 158	$ (238)	$ (80)

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2012	2011
Furniture and fixtures	$ 1,318	$ 1,306
Vehicles, computers and other equipment	3,321	3,222
Buildings and improvements	57,936	57,781
Construction in progress	6	-
Land improvements	855	829
Land	18,725	18,725
	82,161	81,863
Accumulated depreciation	(36,245)	(34,876)
Property and equipment, net	$ 45,916	$ 46,987

Land and buildings owned by the Diocese with a net book value of $11,940 at December 31, 2012 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 $1,372 at December 31, 2012 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.

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE G – NOTES PAYABLE TO FINANCIAL INSTITUTION

The Diocese had the following notes payable at December 31:

	2012	2011
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	$ 15,000
Term loan note, interest at the financial institution's prime rate, but not less than 4%, 4% at December 31, 2012 and 2011, with monthly principal payments of $24.2 through February 2015 and balance due at maturity on March 31, 2015	627	916
Term loan note, interest at the financial institution's prime rate, 3.25% at December 31, 2012 and 2011, with monthly principal payments of $3.75 commencing March 2010 through September 2013 and balance due at maturity October 1, 2013	268	314
	$ 15,895	$ 16,230

The promissory note was issued to a financial institution in December 2011 and the proceeds were used to repay in full a commercial revolving loan note issued to another financial institution in 2010, 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. With the full repayment of the commercial revolving loan note in December 2011, preceding paragraph, the mortgage was released.

In April 2013, the Diocese sold two of the nine properties securing the promissory note issued in December 2011 and $2,649, 75% of the net proceeds, were used to reduce the promissory note balance outstanding to $12,351, pursuant to the terms of the promissory note. The related mortgages were released and the current monthly interest payments were reduced to $51.5.

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.

(Amounts in Thousands)

NOTE G – (continued)

Future maturities of notes payable are as follows after adjusting for the $2,649 reduction of the principal of the promissory note in April 2013:

Year ending December 31	
2013	$ 559
2014	290
2015	46
2016	-
2017	567
Thereafter	11,784
Total	$ 13,246

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:

	2012	2011
Balance at beginning of year	$ 4,587	$ 4,325
Obligations settled	(30)	-
Accretion	276	262
Balance at end of year	$ 4,833	$ 4,587

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.

(Amounts in Thousands)

NOTE I – (continued)

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,			
	2012		2011	
	BDPP	RPP	BDPP	RPP
Projected benefit obligation	$ (167,853)	$ (20,800)	$ (150,647)	$ (19,144)
Plan assets at fair value	84,638	15,946	79,489	14,975
Funded status	$ (83,215)	$ (4,854)	$ (71,158)	$ (4,169)
Amounts not recognized in net periodic pension expense reported as a reduction of unrestricted net assets in the combined statements of activities:				
Transition assets	$ -	$ 27	$ -	$ 30
Prior service expense	-	(495)	-	(539)
Net loss	(50,400)	(3,985)	(40,789)	(3,621)
	$ (50,400)	$ (4,453)	$ (40,789)	$ (4,130)

	Year Ended December 31,			
	2012		2011	
	BDPP	RPP	BDPP	RPP
Net periodic pension expense (measurement date January 1, 2012 and 2011, respectively)	$ 6,039	$ 646	$ 4,812	$ 497
Amortization included in net periodic pension expense:				
Transition asset	$ -	$ (3)	$ -	$ (3)
Prior service expense	-	44	-	44
Net loss	3,208	104	2,521	54
	$ 3,208	$ 145	$ 2,521	$ 95
Amounts arising:				
Net loss	$ (12,819)	$ (464)	$ (7,391)	$ (842)
Decrease in unrestricted net assets to recognize funded status	$ (9,611)	$ (319)	$ (4,870)	$ (747)
Diocesan contributions	$ 3,592	$ 279	$ 1,441	$ 475
Benefits paid	$ 8,037	$ 1,003	$ 7,701	$ 1,105

(Amounts in Thousands)

NOTE I – (continued)

Assumptions

	At December 31,			
	2012		2011	
	BDPP	RPP	BDPP	RPP
Assumed annual rate used to determine benefit obligations:				
Discount	4.25%	4.25%	5.25%	5.25%

	Year Ended December 31,			
	2012		2011	
	BDPP	RPP	BDPP	RPP
Net periodic pension expense:				
Discount	5.25%	5.25%	5.25%	5.00%
Long-term return on plan assets	6.50%	6.50%	6.50%	6.50%
Compensation increase	N/A	N/A	N/A	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 the discount rates, the fair value of plan assets would represent 64.3% and 95.6% of those accumulated benefit obligations at December 31, 2012 for the BDPP and RPP, respectively.

Future amortization, contributions and benefit payments

For the year ending December 31, 2013:

	BDPP	RPP
Estimated amortization to be included in net periodic pension expense:		
Transition asset	$ -	$ (3)
Prior service expense	-	44
Net loss	4,260	116
	$ 4,260	$ 157
Estimated Diocesan contributions	$ 3,200	$ 575

(Amounts in Thousands)

NOTE I – (continued)

Estimated benefit payments for the years ending December 31:

	BDPP	RPP
2013	$ 8,675	$ 1,272
2014	$ 8,954	$ 1,305
2015	$ 9,243	$ 1,346
2016	$ 9,473	$ 1,357
2017	$ 9,757	$ 1,349
2018 through 2022	$ 52,606	$ 6,576

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.

Target asset allocations were as follows at December 31, 2012:

	BDPP	RPP
Equity securities:		
Domestic:		
Large-cap growth	7.5%	14.0%
Large-cap value	8.4%	14.0%
Large core	6.0%	-
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%	3.2%
Other	4.0%	.8%
Alternative investment funds	8.8%	-
Futures funds	2.2%	-
	100%	100%

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE I – (continued)

The plans' investments are as follows at December 31:

	Level 1	Level 3	Total
		2012	
Equity securities:			
Domestic:			
Large-cap growth	$ 7,455	$ -	$ 7,455
Large-cap value	8,849	-	8,849
Large core	3,667	-	3,667
Mid-cap value	2,134	-	2,134
Small-cap value	2,064	-	2,064
International	4,858	-	4,858
	29,027	-	29,027
Mutual funds:			
Debt securities	37,016	-	37,016
Equity securities:			
Emerging markets	5,082	-	5,082
International	2,800	-	2,800
Multi-asset, multi-strategy	11,244	-	11,244
Other	3,250	-	3,250
	59,392	-	59,392
Cash/money market funds	7,168	-	7,168
Alternative investment funds	-	4,997	4,997
Total	$ 95,587	$ 4,997	$ 100,584
BDPP	$ 79,641	$ 4,997	$ 84,638
RPP	15,946	-	15,946
	$ 95,587	$ 4,997	$ 100,584

(Amounts in Thousands)

NOTE I – (continued)

	Level 1	Level 2	Level 3	Total
	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	4,295	-	-	4,295
	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
	56,081	-	-	56,081
Cash/money market funds	1,785	-	-	1,785
Futures fund	-	2,852	-	2,852
Alternative investment funds	-	-	8,529	8,529
Total	$ 83,083	$ 2,852	$ 8,529	$ 94,464
BDPP	$ 68,108	$ 2,852	$ 8,529	$ 79,489
RPP	14,975	-	-	14,975
	$ 83,083	$ 2,852	$ 8,529	$ 94,464

The Level 3 fair value measurement investments are in alternative investment funds described in Note E. The alternative investment funds are not individually significant as each did not exceed 1.5% and 2.6% of the BDPP investment portfolio at December 31, 2012 and 2011, respectively. The changes in these investments were as follows for the years ended December 31:

	2012	2011
Balance at January 1	$ 8,529	$ 7,317
Investment returns included in changes in net assets	501	(934)
Purchases and settlements, net	(4,033)	2,146
Balance at December 31	$ 4,997	$ 8,529

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.

(Amounts in Thousands)

NOTE I – (continued)

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, 2012. The plan is expected to be funded, terminated and participants' pension account balances distributed in 2013, and approval to do so obtained from the Internal Revenue Service. The benefit obligation for participants' pension accounts was $243 and $251 at December 31, 2012 and 2011, respectively, and is included in pension and other retirement obligations. Net periodic pension expense was $10 and $5 for the years ended December 31, 2012 and 2011, 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 $347 and $355 determined using a discount rate of 4.25% and 5.25% at December 31, 2012 and 2011, respectively, and is included in pension and other retirement obligations. Pension payments were $100 for each of the years ended December 31, 2012 and 2011. The obligation is unfunded. The actuarial loss together with interest on the obligation is included in other pension expense for priests and amounted to $93 and $80 for the years ended December 31, 2012 and 2011, 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 $407 and $377 for the years ended December 31, 2012 and 2011, 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, 2012	December 31, 2011
Accumulated benefit obligation, representing funded status, discount rate* of 4.25% and 5.25%, respectively	$ 10,084	$ 8,929
Amounts not recognized in net periodic healthcare expense:		
Transition obligation	$ 2,242	$ 2,438
Prior service expense	411	447
Net loss	3,231	2,444
	$ 5,884	$ 5,329

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

(Amounts in Thousands)

NOTE I – (continued)

	Years Ended December 31, 2012	2011
Net periodic healthcare expense, measurement date January 1, 2012 and 2011, respectively, and discount rate of 5.25% and 5.50%, respectively	$ 966	$ 945
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	53	51
	$ 284	$ 282
Amounts arising:		
Net loss, representing reduction in discount rate to 4.25% from 5.25% and 5.25% from 5.50%, respectively, partially offset by experience gains	$ 839	$ 190
(Reduction) increase in unrestricted net assets to recognize funded status	$ (555)	$ 92
Premiums paid	$ 361	$ 345

Annual insurance premiums are assumed to increase 8% in 2013 with increases trending to 5% in 2019.

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

2013	$371
2014	$393
2015	$416
2016	$440
2017	$458
2018 through 2022	$2,628

Estimated amortization to be included in net periodic healthcare expense is $351 for the year ended December 31, 2013.

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 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

(Amounts in Thousands)

NOTE J – (continued)

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:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		2012		
Faith in the Future	$ (11)	$ 1,748	$ 20,576	$ 22,313
Diocese	-	82	814	896
	$ (11)	$ 1,830	$ 21,390	$ 23,209
		2011		
Faith in the Future	$ (184)	$ 627	$ 20,541	$ 20,984
Diocese	-	77	814	891
	$ (184)	$ 704	$ 21,355	$ 21,875

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		2012		
Balance at December 31, 2011	$ (184)	$ 704	$ 21,355	$ 21,875
Contributions	-	-	25	25
Investment returns:				
Interest and dividends	-	296	-	296
Net appreciation in fair value	173	962	10	1,145
Investment expenses	-	(132)	-	(132)
	173	1,126	35	1,334
Balance at December 31, 2012	$ (11)	$ 1,830	$ 21,390	$ 23,209

NOTES TO COMBINED FINANCIAL STATEMENTS

(Amounts in Thousands)

NOTE J – (continued)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
		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)
	(90)	(219)	33	(276)
Balance at December 31, 2011	$ (184)	$ 704	$ 21,355	$ 21,875

NOTE K – TEMPORARILY RESTRICTED NET ASSETS

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

	2012	2011
Faith in the Future investment income and contributions:		
Diocesan schools, St. John Fisher Seminary, vocations and religious education programs	$ 955	$ 504
Diocesan high school scholarships	812	172
	1,767	676
Diocese:		
The Catherine Dennis Keefe Queen of Clergy facilities	1,605	1,087
St. Catherine Academy scholarships	54	89
St. John Fisher Seminary facilities	18	11
St. John Fisher Seminary financial assistance to seminarians	52	53
The Newman Center	124	113
Other	22	17
	1,875	1,370
Total purpose restrictions	3,642	2,046
Pledges receivable representing only time restrictions	156	292
Total temporarily restricted net assets	$ 3,798	$ 2,338

(Amounts in Thousands)

NOTE K – (continued)

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

	2012	2011
Satisfaction of purpose restrictions	$ 139	$ 259
Expiration of time restrictions	142	150
Total net assets released from restriction	$ 281	$ 409

NOTE L – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are as follows at December 31:

	2012	2011
Faith in the Future:		
Endowment gifts received	$ 20,459	$ 20,424
Endowment pledges receivable	116	116
	20,575	20,540
Diocese:		
Endowment gifts received	814	814
Beneficial interest in perpetual trust held by third-party trustee	482	451
	1,296	1,265
Total permanently restricted net assets	$ 21,871	$ 21,805

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

	2012	2011
Faith in the Future:		
Diocesan schools, St. John Fisher Seminary vocations and religious education programs	$ 18,827	$ 18,827
Diocesan high school scholarships	1,748	1,713
	20,575	20,540
Diocese:		
St. Catherine Academy scholarships	50	50
St. John Fisher Seminary financial assistance to seminarians	731	700
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	103	103
	1,296	1,265
Total permanently restricted net assets	$ 21,871	$ 21,805

(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:

	2012	2011
Annual Bishop's Appeal (ABA) - gross	$ 10,534	$ 12,161
Other contributions and bequests	2,041	2,378
Less -		
ABA amounts designated by donors for:		
Diocesan schools and after school programs	(643)	(1,361)
Catholic Charities	(657)	(718)
Allowance for uncollectable amounts	(202)	(199)
Annual Bishop's Appeal and other contributions and bequests - net	$ 11,073	$ 12,261
Reported as changes in:		
Unrestricted net assets	$ 10,469	$ 11,090
Temporarily restricted net assets	604	1,171
	$ 11,073	$ 12,261

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:

	2012	2011
Medical and dental self-insurance	$ 8,519	$ 7,702
Liability, property, casualty and other insurance	2,042	1,954
Workers' compensation insurance	1,246	844
Lay pensions	2,968	2,374
Priests' pensions	480	422
Total employee benefit and insurance program revenues from other Diocesan entities	$ 15,255	$ 13,296

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:

	2012	2011
Medical and dental claims, excess claims insurance premiums and third-party administrative fees	$ 13,517	$ 13,279
Liability, property, casualty and other insurance premiums and charges for deductible amounts	3,965	4,621
Workers' compensation claims, excess claims insurance premiums and third-party administrative fees	2,007	1,660
Bridgeport Diocesan Pension Plan and Bridgeport Diocesan Cash Balance Plan net periodic pension expense (Note I)	6,039	4,817
Diocese of Bridgeport Retirement Plan for Priests net periodic pension expense (Note I)	646	497
Other pension expense for priests	93	80
Total employee benefit and insurance program expenses	26,267	24,954
Less amounts included in services, operations, administration and general, and fundraising expenses of the Diocese	(3,219)	(3,039)
Net employee benefit and insurance program expenses	$ 23,048	$ 21,915

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 $3,859 and $2,821 at December 31, 2012 and 2011, 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, 2012, the excess was $1,560. 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.

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, 2012, the aggregate balances outstanding on these loans were $5,295 and the related weighted average interest rate was 5.23% and the weighted average maturity was 11.16 years.