EISNERAMPER
ACCOUNTANTS & ADVISORS

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION

COMBINED FINANCIAL STATEMENTS
TOGETHER WITH REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

DECEMBER 31, 2013 and 2012

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION

Contents

EISNERAMPER
ACCOUNTANTS & ADVISORS

EisnerAmper LLP
750 Third Avenue
New York, NY 10017-2703
T 212.949.8700
F 212.891.4100

www.eisneramper.com

INDEPENDENT AUDITORS' REPORT

To the Most Reverend Frank J. Caggiano,
Bishop of Bridgeport, Connecticut
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, 2013 and 2012, and the related combined statements of activities 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 combined 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, 2013 and 2012, 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
September 30, 2014

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION
COMBINED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2013 AND 2012

	December 31, 2013	December 31, 2012
ASSETS		
Cash and cash equivalents	**$ 2,611,964**	$ 2,227,860
Restricted cash	**438,666**	549,879
Due from related Diocesan entities, net	**14,043,860**	8,409,576
Cemeteries and other accounts receivable	**1,330,908**	1,477,865
Insurance recoveries receivable	**1,330,350**	1,588,439
Pledges receivable, net	**715,701**	1,083,743
Note receivable	**1,525,000**	
Investments	**30,542,547**	24,934,899
Property and equipment, net	**43,129,902**	45,915,696
	$ 95,668,898	$ 86,187,957
LIABILITIES		
Accounts payable and accrued expenses	**$ 1,750,699**	$ 1,797,493
Special collection payable	**438,666**	549,879
Self-insurance claims and deductible amounts payable	**5,361,695**	7,438,224
Due to related Diocesan entities	**3,655,043**	5,003,619
Refundable advances - Cemeteries	**1,331,726**	1,430,693
Notes payable	**12,663,812**	15,895,301
Conditional asset retirement obligations	**5,098,794**	4,833,743
Pension and other retirement obligations	**78,501,486**	98,742,572
	108,801,921	135,691,524
NET ASSETS		
Unrestricted (deficit)	**(40,650,140)**	(75,173,005)
Temporarily restricted	**6,189,905**	3,798,206
Permanently restricted	**21,327,212**	21,871,232
	(13,133,023)	(49,503,567)
	$ 95,668,898	$ 86,187,957

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION
COMBINED STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013				2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue:								
Annual Bishop's Appeal	**$ 10,223,558**	**$ 1,650**		**$ 10,225,208**	$ 10,324,118	$ 7,344		$ 10,331,462
Employee benefit and insurance programs	**14,922,564**			**14,922,564**	15,254,717			15,254,717
Cemeteries	**6,132,235**			**6,132,235**	5,904,523			5,904,523
Cathedraticum from parishes	**3,000,861**			**3,000,861**	3,048,111			3,048,111
Other operating revenues	**1,800,772**			**1,800,772**	1,908,211			1,908,211
Contributions and bequests	**1,015,307**	**468,301**	**$ 24,795**	**1,508,403**	1,479,674	608,001	$ 25,439	2,113,114
Insurance recoveries related to prior years' claims	**271,257**			**271,257**	155,322			155,322
Change in value in beneficial interest			**39,731**	**39,731**			31,051	31,051
Support and revenue before net assets released from restrictions	**37,366,554**	**469,951**	**64,526**	**37,901,031**	38,074,676	615,345	56,490	38,746,511
Net assets released from restrictions:								
Program restrictions	**420,908**	**(304,630)**	**(116,278)**	**0**	413,181	(413,181)		0
Donor modification		**500,000**	**(500,000)**	**0**				0
Total support and revenue	**37,787,462**	**665,321**	**(551,752)**	**37,901,031**	38,487,857	202,164	56,490	38,746,511
Expenses:								
Program services:								
Employee benefit and insurance programs	**20,264,581**			**20,264,581**	21,507,327			21,507,327
Financial contributions and services	**13,826,524**			**13,826,524**	13,276,835			13,276,835
Operations	**5,959,965**			**5,959,965**	6,240,624			6,240,624
Total program services	**40,051,070**			**40,051,070**	41,024,786			41,024,786
Management and general	**5,487,304**			**5,487,304**	5,632,761			5,632,761
Development and fundraising	**997,581**			**997,581**	1,227,805			1,227,805
Total expenses	**46,535,955**			**46,535,955**	47,885,352			47,885,352
Change in net assets from operations	**(8,748,493)**	**665,321**	**(551,752)**	**(8,634,924)**	(9,397,495)	202,164	56,490	(9,138,841)
Other changes in net assets:								
Pension-related changes other than net periodic pension cost	**23,701,887**			**23,701,887**	(10,485,000)			(10,485,000)
Contribution from related entities	**17,114,486**			**17,114,486**				
Gain on sale of properties	**3,849,364**			**3,849,364**	96,700			96,700
Contingencies	**(1,831,680)**			**(1,831,680)**	(1,540,310)			(1,540,310)
Investment income	**437,301**	**1,726,378**	**7,732**	**2,171,411**	519,372	1,257,435	9,555	1,786,362
Change in net assets	**34,522,865**	**2,391,699**	**(544,020)**	**36,370,544**	(20,806,733)	1,459,599	66,045	(19,281,089)
Net assets - beginning of year	**(75,173,005)**	**3,798,206**	**21,871,232**	**(49,503,567)**	(54,366,272)	2,338,607	21,805,187	(30,222,478)
Net assets - end of year	**$(40,650,140)**	**$6,189,905**	**$21,327,212**	**$(13,133,023)**	$ (75,173,005)	$3,798,206	$21,871,232	$(49,503,567)

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION
COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Year Ended December 31,	
	2013	**2012**
Cash flows from operating activities:		
Change in net assets	**$ 36,370,544**	$(19,281,089)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and accretion	**1,686,062**	1,763,986
Gain on sale of property and equipment	**(3,849,364)**	(96,700)
Bad debts	**3,375,212**	1,655,432
Contributions restricted for long-term investment	**(24,795)**	(25,439)
Donated securities	**(282,800)**	(292,952)
Gain on investments	**(1,196,538)**	(1,339,125)
Changes in:		
Restricted cash	**111,213**	149,424
Due from related Diocesan entities	**(8,392,352)**	(1,688,417)
Cemeteries and other accounts receivable	**146,957**	(232,984)
Insurance recoveries receivable	**258,089**	(1,420,847)
Pledges receivable	**(249,102)**	87,339
Accounts payable and accrued expenses	**(46,794)**	(188,883)
Special collection payable	**(111,213)**	(60,014)
Self-insurance claims and deductible amounts payable	**(2,076,529)**	1,116,724
Due to related Diocesan entities	**(1,348,576)**	1,399,690
Refundable advances - Cemeteries	**(98,967)**	344,205
Pension and other retirement obligations	**(20,241,086)**	13,880,605
Net cash provided by (used in) operating activities	**4,029,961**	(4,229,045)
Cash flows from investing activities		
Purchases of investments	**(19,257,592)**	(1,452,002)
Proceeds from sale of investments	**15,129,282**	2,513,004
Proceeds from sale of property and equipment	**3,851,714**	
Acquisition of property and equipment	**(187,567)**	(411,117)
Proceeds from note receivable	**25,000**	
Net cash (used in) provided by investing activities	**(439,163)**	649,885
Cash flows from financing activities		
Proceeds from contributions restricted for long-term investment	**24,795**	25,439
Principal repayments on notes payable	**(3,231,489)**	(334,951)
Net cash used in financing activities	**(3,206,694)**	(309,512)
Net change in cash and cash equivalents	**384,104**	(3,888,672)
Cash and cash equivalents - beginning of year	**2,227,860**	6,116,532
Cash and cash equivalents - end of year	**$ 2,611,964**	$ 2,227,860
Interest paid	**$ 664,551**	$ 759,777

NOTE 1 – ORGANIZATION

The Bridgeport Roman Catholic Diocesan Corporation ("BRCDC") is a not-for-profit, religious non-stock corporation formed under the laws of the State of Connecticut in 1953. BRCDC provides pastoral, clergy and religious personnel, Christian formation and religious education, vocations, educational administration and curriculum, parish finance and tribunal services to other BRCDC entities and other parties.

Faith in the Future Fund, Inc. ("Faith in the Future") is a not-for-profit, non-stock corporation formed under the laws of the State of Connecticut in 1996 by BRCDC. Faith in the Future was formed to receive, invest, manage and disburse funds raised by the Faith in the Future Endowment Campaign of BRCDC to create a permanent endowment to support BRCDC's five high schools, elementary schools, vocations and seminary education, and religious education in parishes of the Diocese.

BRCDC relies principally on contributions received through the Annual Bishop's Appeal to support the services BRCDC provides, the contributions made to other BRCDC 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 BRCDC. St. Catherine Academy relies on tuition revenues to support its operating activities.

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

BRCDC programs 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 BRCDC related entities. BRCDC 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 BRCDC.

The accompanying combined financial statements include the combined financial position, change in net assets and cash flows of BRCDC, reflecting its activities and direct operations, and Faith in the Future (collectively referred to herein as the "Diocese"). All significant intercompany accounts and transactions have been eliminated in combination.

The following related Diocesan entities located throughout Fairfield County, Connecticut, are separately incorporated and/or managed on a day-to-day basis, and their activities are not included in the combined financial statements:

- 82 parishes and one shrine
- 29 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")
- Eight 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 namesake entities are located.
- Inner-City Foundation for Charity and Education, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Basis of accounting:

The accompanying combined financial statements of the Diocese have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, the accounts of the Diocese are reported in the following net asset categories:

Unrestricted:

Unrestricted net assets represent available resources other than donor-restricted contributions.

Temporarily restricted:

Temporarily restricted net assets include contributions that are restricted by the donor either as to purpose or time of expenditure and accumulated gains and investment income on donor-restricted endowment assets.

Permanently restricted:

Permanently restricted net assets represent contributions received with the donor restriction that the principal be invested in perpetuity and that only the income earned thereon be available for use.

[2] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. Financial statement areas where management applies the use of estimates consists primarily of allowance for doubtful accounts and actuarial assumptions used to calculate postretirement benefit obligations. It is management's opinion that the estimates applied in the accompanying combined financial statements are reasonable.

[3] Cash and cash equivalents:

Cash and cash equivalents are defined as highly liquid investments with original maturities of up to 90 days, except for money market accounts held with investment brokers, which are considered to be investments.

[4] Restricted cash and special collection payable:

Restricted cash and special collection payable represent funds received from parishes throughout the Diocese for 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, which are being held until future payments.

[5] Investment valuation and income recognition:

Investments are reported at fair-value. Fair-value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 7 for a discussion of fair-value measurements.

Purchases and sales of securities are recorded on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Realized and unrealized gains include the Diocese's gains and losses on investments bought and sold, as well as investments held during the year.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[5] Investment valuation and income recognition: (continued)

The Diocese's Investment Committee determines the Diocese's valuation policies and procedures. The Committee utilizes information provided by the investment brokers with which investments are held to value investments.

[6] Property and equipment:

Property acquisitions and improvements thereon that exceed $2,500 are capitalized at cost and depreciated on a straight-line basis over the following estimated useful lives:

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

Repairs and maintenance are charged to expense as incurred. Property acquired under capital lease is amortized over the useful life of the related asset or the lease term, if shorter.

[7] Contributions:

Unconditional contributions are recognized when pledged or received, as applicable, and are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions receivable that are expected to be collected in more than one year are discounted to their present value. The Diocese reports contributions and grants of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets released from restrictions. Restricted contributions received in a period in which the restrictions are met are recognized with unrestricted net assets. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributed services are recognized in the financial statements if they enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. General volunteer services do not meet these criteria for recognition.

[8] 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 transactions are accounted for as deferred revenue and recorded as refundable advances until the amounts receivable have been collected in full and the sale is then recognized as revenue.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] 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 capitalized asset-retirement cost, accumulated depreciation, and depreciation expense, are recognized in the accompanying combined financial statements.

[10] Functional expense allocation:

Expenses are charged directly to Diocesan program services, development and fundraising, and management and general based on specific identification to the extent practicable. Expenses related to more than one function have been allocated using reasonable ratios determined by management. Management and general expenses include those expenses that are not directly identifiable with a specific function, but provide for the overall support and direction of the Diocese.

[11] Income taxes:

The Diocese is a not-for-profit religious organization and is exempt from federal and state income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying combined financial statements. Faith in the Future's informational returns for the years ended June 30, 2010 through 2013 are subject to examination by the Internal Revenue Service and the State of Connecticut.

[12] Measure of operations:

The Diocese includes in its measure of operations all revenue and expenses that are an integral part of its programs and supporting activities. Contribution from related entities, gain on sale of properties, contingencies and adjustment to recognize funded status of pension and priests' post-retirement healthcare obligations are recognized as non-operating activities.

[13] Reclassification:

Certain amounts in the 2012 combined financial statements have been reclassified to conform to the 2013 presentation.

[14] Subsequent events:

In preparing these combined financial statements, management has evaluated subsequent events through September 30, 2014, which is the date the combined financial statements were available to be issued.

NOTE 3 – CONCENTRATIONS

The Diocese's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, investments and cemeteries and other accounts receivables.

Cash and cash equivalents - The Diocese places its cash and cash equivalents deposits with credit-quality institutions. Such deposits exceed federal depository insurance limits at times during the year. However, management believes that The Diocese's deposits are not subject to significant credit risk.

Investments - The Diocese's investments are comprised of common stocks, corporate bonds, various funds investing in equities, bonds, multi-strategy, exchange-traded and money-market funds and alternative investments. These money-market funds are not protected by federal depository insurance. The value of the investments is subject to fluctuations due to general market conditions and interest rates. Management considers investments to be sufficiently diversified to minimize individual investment and industry concentration risks.

Cemeteries and other accounts receivable - Cemeteries and other accounts receivable are supported by contracts or other agreements and, based on historical experience, represent negligible credit risk.

NOTE 4 – DUE FROM RELATED DIOCESAN ENTITIES

Amounts due from related Diocesan entities, net, consist of the following at December 31:

	2013	2012
Parishes	$ 9,229,955	$ 9,101,553
Elementary, middle and high school	24,616,250	22,886,575
Other	7,769,750	1,235,475
	41,615,955	33,223,603
Less : Allowance for uncollectible amounts	(27,572,095)	(24,814,027)
	$14,043,860	$ 8,409,576

Amounts due from related Diocesan entities arise principally from employee benefit and insurance programs, 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 $312,437 and $626,551 at December 31, 2013 and 2012, respectively, that was funded with proceeds from a term loan (See Note 11) and is being repaid by the middle school in monthly installments of $24,163.

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 5 – PLEDGES RECEIVABLE

Pledges receivable, net, consists of the following at December 31:

	2013	2012
Receivable in less than one year	$ 759,933	$ 958,683
Receivable in one to five years	180,000	356,501
Less discounts to net present value	(4,999)	(220,786)
Less provision for doubtful accounts	(219,233)	(10,655)
	$ 715,701	$ 1,083,743

Pledges receivable due in more than one year are discounted at rates ranging from 0.28% to 3.25% at December 31, 2013 and 2012.

Pledges receivable, net, includes $350,001 and $380,951 at December 31, 2013 and 2012, respectively, that is designated by donors for other Diocesan entities and is included in due to related Diocesan entities within the accompanying combined statements of financial position.

NOTE 6 – NOTE RECEIVABLE

In November 2013, the Diocese sold approximately 45 acres of land within Easton, Connecticut, for approximately $1,750,000. The sales agreement required the Diocese to issue a mortgage note for $1,550,000, which matures in November 2016. Monthly principal payments of $25,000 plus interest at 2% are due during 2013 and 2014. Thereafter, monthly principal payments of $20,000, plus interest at 2%, are due until maturity in November 2016, when a balloon payment of $790,000 is required. The outstanding balance of the note receivable at December 31, 2013 was $1,525,000.

NOTE 7 – FAIR-VALUE MEASUREMENT

The Financial Accounting Standards Board's (“FASB”) Accounting Standards Codification ("ASC") Topic 820, *Fair-Value Measurements and Disclosures*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, or similar investments, at the reporting date.

Level 2: Valuations are based on (i) quoted prices for those investments, or similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include those investments that are redeemable at or near the balance sheet date and for which a model was derived for valuation.

Level 3: Fair-value is determined based on pricing inputs that are unobservable and includes situations where (i) there is little, if any, market activity for the asset or liability, or (ii) the underlying investments of which cannot be independently valued, or (iii) they cannot be immediately redeemed at or near the fiscal year-end.

NOTE 7 – FAIR-VALUE MEASUREMENT (CONTINUED)

The asset's or liability's fair-value measurement level within the fair-value hierarchy is based on the lowest level of any input that is significant to the fair-value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. When, as a practical expedient, an investment is measured at fair-value on the basis of net asset value, its classification as Level 2 or 3 will be impacted by the ability to redeem the investment at net asset value at the measurement date. If there is uncertainty or the inability to redeem an investment at net asset value in the near term subsequent to the measurement date, the investment is categorized as Level 3.

The following is a description of the valuation methodologies used for assets measured at fair-value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Money-Market Funds - Money-market funds are valued at the quoted net asset value of shares held by the Diocese at year-end.

Common Stocks - Common stocks are valued at the closing price reported in the active market in which the individual securities are traded at year-end.

Mutual and Exchange-Traded Funds - Mutual and exchange-traded funds are valued at the quoted net asset value of shares reported in the active market in which the funds are traded at year-end.

Corporate Bonds - Certain corporate bonds are valued at the closing price reported in the active market in which the individual securities are traded at year-end. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar durations and credit ratings.

Alternative Investments - Interests in these items are valued by external investment managers, taking into consideration the fair-value of the underlying assets and liabilities, current distribution rates and discounts for redemption and liquidity restrictions. The valuations involve assumptions and methods that are reviewed by the Diocese's Investment Committee. Because investments in these items are not readily marketable, their estimated fair-value is subject to uncertainty and may differ significantly from the value that would have been used had a market for such investments existed.

Closed-End Funds - Closed-end funds are valued at the quoted net asset value of shares reported in the limited market in which the funds are traded at year-end.

Catholic Umbrella Pool and Beneficial Interest in Third-Party Trust - The Catholic umbrella pool and the beneficial interest in funds held within a third-party trust are valued based on the Diocese's proportionate share of the fair-value of the underlying investments in the pool and trust.

Pledges Receivable - Pledges receivable are values based on discounted cash flows, reduced by an allowance for collectability.

The preceding methods described above may produce a fair-value calculation that may not be indicative of net realizable value or reflective of future fair-values. Furthermore, while the Diocese believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair-value of certain financial instruments could result in a different fair-value measurement at the reporting date.

NOTE 7 – FAIR-VALUE MEASUREMENT (CONTINUED)

Assets Measured at Fair-value on a Recurring Basis - The following is a summary of the source of fair-value measurements for assets that are measured at fair-value on a recurring basis as of December 31, 2013:

	Level 1	Level 2	Level 3	Total
Investments:				
Money-market funds	$ 3,320,388			$ 3,320,388
Common stocks	7,525,782			7,525,782
Equity mutual funds:				
Large-cap blend	4,010,469			4,010,469
International	1,512,343			1,512,343
Emerging markets	912,119			912,119
Large-cap growth	194,076			194,076
Large-cap value	189,367			189,367
Mid-cap blend	182,508			182,508
Mid-cap growth	137,794			137,794
Small-cap growth	95,631			95,631
Small-cap value	43,513			43,513
Other	53,991			53,991
Multi-strategy mutual funds	1,752,166			1,752,166
Exchange traded funds	956,644			956,644
Corporate bonds		$ 151,700		151,700
Bond mutual funds	5,883,211			5,883,211
Alternative investments			$ 1,514,659	1,514,659
Closed-end funds		1,031,588		1,031,588
Catholic Umbrella Pool			553,261	553,261
Beneficial interest in third-party trust			521,337	521,337
Total investments	26,770,002	1,183,288	2,589,257	30,542,547
Pledges receivable			715,701	715,701
Total	$ 26,770,002	$ 1,183,288	$ 3,304,958	$ 31,258,248

NOTE 7 – FAIR-VALUE MEASUREMENT (CONTINUED)

The following is a summary of the source of fair-value measurements for assets that are measured at fair-value on a recurring basis as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
Investments:				
Money-market funds	$ 4,886,083			$ 4,886,083
Common stocks	5,882,302			5,882,302
Equity mutual funds:				
Large-cap blend	189,190			189,190
Emerging markets	864,754			864,754
Large-cap growth	120,321			120,321
Other	151,890			151,890
Multi-strategy mutual funds	2,199,574			2,199,574
Other	775,201			775,201
Corporate bonds		$ 174,253		174,253
Bond mutual funds	7,137,808			7,137,808
Alternative investments			$ 1,458,883	1,458,883
Catholic Umbrella Pool			613,034	613,034
Beneficial interest in third-party trust			481,606	481,606
Total investments	22,207,123	174,253	2,553,523	24,934,899
Pledges receivable			1,083,743	1,083,743
Total	$ 22,207,123	$ 174,253	$ 3,637,266	$ 26,018,642

There were no transfers of investments between levels during 2013 and 2012.

NOTE 7 – FAIR-VALUE MEASUREMENT (CONTINUED)

Assets Measured at Fair-Value on a Recurring Basis Using Significant Unobservable Inputs (Level 3) - The following is a summary of the changes in the balances of investments measured at fair-value on a recurring basis, using significant unobservable inputs for 2013 and 2012:

	Alternative Investments	Catholic Umbrella Pool	Beneficial Interest in Perpetual Trust	Total
Balance – December 31, 2011	$ 1,245,620	$ 673,998	$ 450,555	$ 2,370,173
Purchases	317,439			317,439
Sales	(106,022)			(106,022)
Investment gains (losses)	3,983	(60,964)	13,772	(43,209)
Investment earnings	52	103,697	17,279	121,028
Distributions		(103,697)		(103,697)
Fees	(2,189)			(2,189)
Balance – December 31, 2012	1,458,883	613,034	481,606	2,553,523
Purchases	19,803			19,803
Sales	(103,849)		(20,000)	(123,849)
Investment gains (losses)	114,295	(59,773)	54,615	109,137
Investment earnings	26,581	98,461	14,275	139,317
Distributions		(98,461)		(98,461)
Fees	(1,054)		(9,159)	(10,213)
Balance – December 31, 2013	$ 1,514,659	$ 553,261	$ 521,337	$ 2,589,257

The following is a summary of the changes in the balances of pledges receivable measured at fair-value on a recurring basis using significant unobservable inputs for the years ended December 31, 2013 and 2012:

Balance – December 31, 2011	$ 1,171,082
New pledges	4,434,517
Collections	(4,324,168)
Write-offs	(233,441)
Change in allowance for uncollectible	28,789
Change in discount	6,964
Balance – December 31, 2012	1,083,743
New pledges	3,651,332
Collections	(3,642,879)
Write-offs	(383,703)
Change in allowance for uncollectible	1,553
Change in discount	5,655
Balance – December 31, 2013	$ 715,701

NOTE 8 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2013	2012
Furniture and fixtures	$ 1,317,614	$ 1,317,614
Vehicles, computers and other equipment	3,295,481	3,320,938
Building and improvements	56,839,666	57,935,932
Land improvements	855,656	855,656
Land	17,282,482	18,725,195
	79,590,899	82,155,335
Less accumulated depreciation	(36,551,337)	(36,245,239)
	43,039,562	45,910,096
Construction-in-progress	90,340	5,600
	$43,129,902	$45,915,696

Land and buildings owned by the Diocese had a net book value of $11,737,562 at December 31, 2013 and 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 $1,264,621 at December 31, 2013 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 approximately $180,000 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 9 – DUE TO RELATED DIOCESAN ENTITIES

Amounts due to related Diocesan entities consist of the following at December 31:

	2013	2012
Parishes	$ 60,851	$ 83,303
Elementary, middle and high schools	3,429,483	4,694,836
Other	164,709	225,480
	$ 3,655,043	$ 5,003,619

NOTE 10 – CONTRIBUTION FROM RELATED ENTITIES

During 2013, several related entities of the Diocese were dissolved following the sale of their assets and payments of any related liabilities. According to the respective by-laws of the entities, the Diocese received contributions totaling $17,114,486 upon dissolution.

NOTE 11 – NOTES PAYABLE

Notes payable consist of the following at December 31:

	2013	2012
Note payable, due December 2031, with monthly payments of interest only on the outstanding principal balance at 5% through December 2016. Monthly payments of principal and interest will commence in January 2017 through the maturity date. The note is secured by certain properties and other assets of the Diocese.	$12,351,375	$15,000,000
Note payable, due March 31, 2015, with monthly payments of $24,163 including interest at the financial institution's prime rate of 4% at December 31, 2013 and 2012. The note is secured by a certain property of the Diocese.	312,437	626,551
Note payable, due October 1, 2013, with monthly payments of $3,750, including interest at the financial institution's prime rate, 3.25% of December 31, 2012. The outstanding balance was paid upon maturity on October 1, 2013.		268,750
	$12,663,812	$15,895,301

Future maturities of notes payable for the five years subsequent to December 31, 2013 and thereafter are as follows:

Year	Amount
2014	$ 289,956
2015	22,481
2016	
2017	567,404
2018	596,433
Thereafter	11,187,538
	$ 12,663,812

NOTE 12 – CONDITIONAL ASSET RETIREMENT OBLIGATIONS

During each year, changes in conditional asset-retirement obligations for asbestos material and underground storage tanks associated with buildings owned by the Diocese were as follows for the years ended December 31:

	2013	2012
Balance at beginning of year	$ 4,833,743	$ 4,587,376
Obligations settled	(25,943)	(29,556)
Accretion	290,994	275,923
	$ 5,098,794	$ 4,833,743

NOTE 13 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	2013	2012
Purposes:		
Queens of Clergy priest retirement home expansion	$ 1,550,795	$ 1,364,621
Trinity Catholic high school field improvements	523,510	
Education grants	182,469	
The Newman Center ministry programs	122,539	124,267
St. Catherine Academy scholarships	47,515	53,630
St. John Fisher Seminary	20,118	69,769
Other	2,290	22,024
Future periods:		
Pledges receivable, Queen of Clergy retirement home expansion	193,685	240,397
Pledges receivable, other	172,015	94,217
Accumulated gains and income on donor-restricted endowment assets restricted until appropriation	3,374,969	1,829,281
	$ 6,189,905	$ 3,798,206

NOTE 14 – NET ASSETS RELEASED FROM RESTRICTIONS

During each year, net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions or were released from permanent donor restrictions for the years ended December 31:

	2013	2012
Purpose:		
Program services	$ 77,228	$ 139,103
Future periods:		
Pledges receivable, other	46,712	142,190
Write-off of permanently restricted pledges receivable	116,278	
Appropriations of donor-restricted endowment assets	180,690	131,888
	$ 420,908	$ 413,181

NOTE 15 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consist of the following at December 31:

	2013	2012
Donor restricted endowment	$ 20,805,875	$ 21,389,626
Beneficial interest in third-party trust	521,337	481,606
	$ 21,327,212	$ 21,871,232

NOTE 16 – ENDOWMENT

[1] The endowment:

The Diocese's endowment includes donor-restricted endowment funds established for a variety of purposes. In 2013 a donor modified the restriction on an endowment fund and reduced the donor-restricted fund by $500,000. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

[2] Interpretation of relevant law:

The Board of Directors of the Diocese has interpreted the Connecticut Prudent Management of Institutional Funds Act ("CTPMIFA") as requiring the preservation of the fair-value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Diocese classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Diocese in a manner consistent with the standard of prudence prescribed by CTPMIFA. In accordance with CTPMIFA, the Diocese considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- The investment policies of the Diocese
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Diocese

[3] Net assets:

Endowment net-asset composition by type of fund as of December 31 is as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ 0	$ 3,374,969	$20,805,875	$ 24,180,844

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (11,454)	$ 1,829,281	$21,389,626	$ 23,207,453

NOTE 16 – ENDOWMENT (CONTINUED)

[4] Changes in net assets:

Changes in endowment net assets for the years ended December 31 are as follows:

	2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets – beginning of the year	$ (11,454)	$ 1,829,281	$ 21,389,626	$ 23,207,453
Transfers:				
Donor modification			(500,000)	(500,000)
Investment return:				
Investment income		836,644		836,644
Investment gains	11,454	889,734	7,732	908,920
Total investment return	11,454	1,726,378	7,732	1,745,564
Other changes:				
Contributions			24,795	24,795
Appropriation of endowment assets		(180,690)		(180,690)
Uncollectible pledges			(116,278)	(116,278)
Total other changes		(180,690)	(91,483)	(272,173)
Endowment net assets – end of the year	$ 0	$ 3,374,969	$ 20,805,875	$ 24,180,844

	2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets – beginning of the year	$ (183,707)	$ 703,734	$ 21,354,632	$ 21,874,659
Investment return:				
Investment income		295,429		295,429
Investment gains	172,253	962,006	9,555	1,143,814
Total investment return	172,253	1,257,435	9,555	1,439,243
Other changes:				
Contributions			25,439	25,439
Appropriation of endowment assets		(131,888)		(131,888)
Total other changes		(131,888)	25,439	(106,449)
Endowment net assets – end of the year	$ (11,454)	$ 1,829,281	$ 21,389,626	$ 23,207,453

NOTE 16 – ENDOWMENT (CONTINUED)

[5] Funds with deficiencies:

From time to time, the fair-value of investments associated with donor-restricted endowment funds may fall below the level that the donor or CTPMIFA requires the Diocese to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature are reported in unrestricted net assets. There was one such fund with a deficiency as of December 31, 2012, which was recovered in 2013.

[6] Return objectives and risk parameters:

The Diocese has adopted an investment policy for endowment assets with the objective of achieving investment results over the long term that compare favorably with those of other endowments, professionally managed portfolios and appropriate benchmark indices. All investments are invested in accordance with the investment policy.

[7] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Diocese engages professional investment advisors and has adopted a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Consistent with that strategy, the Diocese targets a diversified asset allocation emphasizing long-term investment performance and targets 55% to equity-type investments, 14% to fixed income, 23% to alternatives and 8% to real assets.

[8] Spending policy and how the investment objectives relate to spending policy:

The Diocese's Board of Directors has approved a spending policy that evaluates an annual spending target of 4.5% of the average quarterly ending market value over the preceding twenty quarters. This is consistent with the Diocese's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

NOTE 17 – DEFINED-BENEFIT PLANS

[1] Bridgeport Diocesan Pension Plan - Lay:

The Bridgeport Diocesan Pension Plan - Lay ("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 work at least 20 hours per week, who met eligibility requirements of three years of continuous service, and who were 30 years of age on or before July 2, 2008. Effective July 31, 2010, pension benefits under this 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.

U.S. GAAP requires organizations to record a liability on the statements of financial position for the underfunded portion of postretirement plans, defined as the amount by which the projected benefit obligation exceeds the fair-value of plan assets. The Diocese expects that the funding shortfall in the plan 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.

NOTE 17 – DEFINED-BENEFIT PLANS (CONTINUED)

[1] Bridgeport Diocesan Pension Plan - Lay: (continued)

The following tables set forth the Diocese's noncontributory defined-benefit plan's funded status and provide reconciliation to the accrued liability recorded in the statements of financial position at December 31, 2013 and 2012:

	2013	2012
Changes in benefit obligation:		
Projected benefit obligation at beginning of year	$167,853,298	$150,646,812
Service cost	166,800	126,300
Interest cost	6,949,425	7,690,528
Actuarial (gain) loss	(12,387,060)	17,426,637
Benefits paid	(8,560,317)	(8,036,979)
Projected benefit obligation at end of year	$154,022,146	$167,853,298
Changes in fair-value of plan assets:		
Fair-value of plan assets at beginning of year	$ 84,637,793	$ 79,489,142
Actual returns on plan assets	7,684,218	9,593,551
Benefits paid	(8,560,317)	(8,036,979)
Plan sponsor contributions	3,227,710	3,592,079
Fair-value of plan assets at end of year	$ 86,989,404	$ 84,637,793
Unfunded status	$ 67,032,742	$ 83,215,505
Accrued benefit liability	$ 67,032,742	$ 83,215,505

The following disclosures are required for plans where the accumulated benefit obligation exceeds the fair-value of plan assets at December 31, 2013 and 2012:

	2013	2012
Projected benefit obligation	$ 154,022,146	$ 167,853,298
Accumulated benefit obligation	132,246,372	131,625,306
Fair-value of plan assets	86,989,404	84,637,793

Net periodic benefit cost for the defined benefit plan includes the following components for the years ended December 31, 2013 and 2012:

	2013	2012
Service cost	$ 166,800	$ 126,300
Interest cost	6,949,425	7,690,528
Expected return on plan assets	(5,323,524)	(4,985,732)
Amortization of actuarial loss	4,260,477	3,207,549
Net periodic pension cost	$ 6,053,178	$ 6,038,645

NOTE 17 – DEFINED-BENEFIT PLANS (CONTINUED)

[1] Bridgeport Diocesan Pension Plan - Lay: (continued)

Other changes in plan assets and benefit obligations recognized in changes in unrestricted net assets for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Net (gain) loss	$(14,747,754)	$ 12,818,818
Recognition of actuarial (gain) loss	(4,260,477)	(3,207,549)
Total recognized change in unrestricted net assets	$(19,008,231)	$ 9,611,269

Assumptions - Weighted-average assumptions used to determine benefit obligations are as follows:

Measurement date	12/31/2013	12/31/2012
Discount rate	5.00%	4.25%

Weighted-average assumptions used to determine net periodic pension cost are as follows:

Measurement date	12/31/2013	12/31/2012
Discount rate	5.00%	4.25%
Expected long-term return on plan assets	6.50%	6.50%

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk while also providing adequate liquidity to meet benefit payment requirements.

The following is a summary of plan investments as of December 31, 2013 and 2012:

	2013		
	Level 1	Level 3	Total
Investments:			
Cash equivalents	$ 1,595,548		$ 1,595,548
Common stocks	28,148,423		28,148,423
Preferred stocks	425,200		425,200
Equity mutual funds:			
Emerging markets	3,483,389		3,483,389
International	5,324,751		5,324,751
Other	9,039,905		9,039,905
Multi-strategy mutual funds	15,128,098		15,128,098
Bond mutual funds	18,729,223		18,729,223
Alternative investments		$ 5,114,867	5,114,867
Total	$81,874,537	$ 5,114,867	$86,989,404

NOTE 17 – DEFINED-BENEFIT PLANS (CONTINUED)

[1] Bridgeport Diocesan Pension Plan - Lay: (continued)

	2012		
	Level 1	Level 3	Total
Investments:			
Cash equivalents	$ 6,410,061		$ 6,410,061
Common stocks	21,938,120		21,938,120
Equity mutual funds:			
Emerging markets	4,637,590		4,637,590
International	2,800,453		2,800,453
Other	3,023,730		3,023,730
Multi-strategy mutual funds	10,796,185		10,796,185
Bond mutual funds	30,034,601		30,034,601
Alternative investments		$ 4,997,053	4,997,053
Total	$79,640,740	$ 4,997,053	$84,637,793

The Plan's investments are valued based on the valuation methods as disclosed in Note 7 by the Plan at year end, which represents Level 1 and Level 3 inputs.

There were no changes in the valuation methodology at December 31, 2013 or 2012.

The Diocese's pension plan weighted-average asset allocations at December 31, 2013 and 2012, by asset category, are as follows:

	2013	2012
Cash equivalents	1.8%	7.6%
Common stocks	32.4	25.9
Preferred stocks	.5	
Mutual funds investing in equities	20.5	12.3
Mutual funds investing in fixed income securities	17.4	35.5
Multi-strategy mutual funds	21.5	12.8
Alternative investments	5.9	5.9
	100.0%	100.0%

The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The Diocese's long-term investment objective is to achieve the actuarial target return, maintain sufficient liquidity to meet the obligations of the plan, diversify the investments to reduce risk, and achieve investment results over the long term that compare favorably with those of other pension plans, professionally-managed portfolios and appropriate benchmark indices. Consistent with the long-term objective, the composition of plan investments is managed within a range that allows for a tolerance range of 15% to 36% based on the asset class to a targeted allocation of 55% for equity investments, 14% for fixed income investments, 23% for alternatives and 8% for real assets The Diocese's investment committee periodically reviews the plan assumptions, asset allocation and performance of the investments in the plan.

NOTE 17 – DEFINED-BENEFIT PLANS (CONTINUED)

[1] Bridgeport Diocesan Pension Plan - Lay: (continued)

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

Year	Expected Benefit Payments
2014	$ 9,260,884
2015	9,477,847
2016	9,656,397
2017	9,866,855
2018	10,158,954
2019 and after	53,446,008

The Diocese is required to contribute, and is expected to contribute, $2,848,000 to the plan by the year ended December 31, 2014.

As discussed in Note 7, U.S. GAAP established a framework for measuring fair-value. That framework provides a fair-value hierarchy that prioritizes the inputs to valuation techniques used to measure fair-value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair-value hierarchy are described in Note 7.

The asset's or liability's fair-value measurement level within the fair-value hierarchy is based on the lowest level of any input that is significant to the fair-value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

[2] Diocese of Bridgeport Retirement Plan for Priests:

The Diocese of Bridgeport Retirement Plan for Priests ("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.

U.S. GAAP requires organizations to record a liability on the statements of financial position for the underfunded portion of postretirement plans, defined as the amount by which the projected benefit obligation exceeds the fair-value of plan assets.

NOTE 17 – DEFINED-BENEFIT PLANS (CONTINUED)

[2] Diocese of Bridgeport Retirement Plan for Priests: (continued)

The following tables set forth the Diocese's noncontributory defined-benefit plan's funded status and provide reconciliation to the accrued liability recorded in the statements of financial position at December 31, 2013 and 2012:

	2013	2012
Changes in benefit obligation:		
Projected benefit obligation at beginning of year	$ 20,800,267	$ 19,143,855
Service cost	529,419	476,235
Interest cost	856,985	972,174
Actuarial (gain) loss	(2,244,950)	1,210,736
Benefits paid	(986,786)	(1,002,733)
Projected benefit obligation at end of year	$ 18,954,935	$ 20,800,267
Changes in fair-value of plan assets:		
Fair-value of plan assets at beginning of year	$ 15,945,628	$ 14,975,356
Actual returns on plan assets	1,989,025	1,693,755
Benefits paid	(986,786)	(1,002,733)
Plan sponsor contributions	468,948	279,250
Fair-value of plan assets at end of year	$ 17,416,815	$ 15,945,628
Unfunded status	$ 1,538,120	$ 4,854,639
Accrued benefit liability	$ 1,538,120	$ 4,854,639

The following disclosures are required for plans where the accumulated benefit obligation exceeds the fair-value of plan assets at December 31, 2013 and 2012:

	2013	2012
Projected benefit obligation for services rendered to date	$ 18,954,935	$ 20,800,267
Accumulated benefit obligation	16,674,611	16,674,611
Fair-value of plan assets	17,416,815	15,945,628

Net periodic benefit cost for the defined-benefit plan includes the following components for the years ended December 31, 2013 and 2012:

	2013	2012
Service cost	$ 529,419	$ 476,235
Interest cost	856,985	972,174
Expected return on plan assets	(1,013,818)	(947,316)
Amortization of unrecognized prior service cost	41,437	41,437
Amortization of actuarial loss	118,284	103,738
Net periodic pension cost	$ 532,307	$ 646,268

NOTE 17 - DEFINED-BENEFIT PLANS (CONTINUED)

[2] Diocese of Bridgeport Retirement Plan for Priests: (continued)

Other changes in plan assets and benefit obligations recognized in changes in unrestricted net assets for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Net (gain) loss	$ (3,220,157)	$ 540,140
Recognition of actuarial loss	(118,284)	(103,738)
Recognition of prior service cost	(41,437)	(41,437)
Total recognized change in unrestricted net assets	$ (3,379,878)	$ 394,965

Assumptions - Weighted-average assumptions used to determine benefit obligations are as follows:

Measurement date	12/31/2013	12/31/2012
Discount rate	5.00%	4.25%

Weighted-average assumptions used to determine net periodic pension cost are as follows:

Measurement date	12/31/2013	12/31/2012
Discount rate	5.00%	4.25%
Expected long-term return on plan assets	6.50%	6.50%

Asset management objectives include maintaining an adequate level of diversification to reduce interest rate and market risk while also providing adequate liquidity to meet benefit payment requirements.

The following is a summary of plan investments as of December 31, 2013 and 2012:

	2013	2012
Investments:		
Cash equivalents	$ 272,363	$ 757,615
Common stocks	8,819,269	7089,280
Equity mutual funds:		
Emerging markets	494,039	444,331
Other	2,178,735	226,033
Multi-strategy mutual funds	1,133,530	447,802
Bond mutual funds	4,518,879	6,980,567
Total	$ 17,416,815	$ 15,945,628

The Plan's investments are valued based on the valuation methods as disclosed in Note 7 by the Plan at year end, which represents Level 1 inputs.

There were no changes in the valuation methodology at December 31, 2013 or 2012.

NOTE 17 - DEFINED-BENEFIT PLANS (CONTINUED)

[2] Diocese of Bridgeport Retirement Plan for Priests: (continued)

The Diocese's pension plan weighted-average asset allocations at December 31, 2013 and 2012, by asset category, are as follows:

	2013	2012
Cash equivalents	1.6%	4.8%
Common stocks	50.7	44.4
Mutual funds investing in equities	2.8	2.8
Mutual funds investing in fixed income securities	25.9	43.8
Multi-strategy mutual funds	6.5	2.8
Other	12.5	1.4
	100.0%	100.0%

The expected rate of return on pension plan assets is determined by those assets' historical long-term investment performance, current asset allocation and estimates of future long-term returns by asset class.

The Diocese's long-term investment objective is to achieve the actuarial target return, maintain sufficient liquidity to meet the obligations of the plan, diversify the investments to reduce risk, and achieve investment results over the long term that compare favorably with those of other pension plans, professionally-managed portfolios and appropriate benchmark indices.

Consistent with the long-term objective, the composition of plan investments is not restricted to maintain any specific percentage allocation of equities, fixed-income or short-term securities. The investment manager has the discretion to alter the mixture of investments in whatever proportions appear most favorable to obtaining the long-term objectives. The Diocese's Priest retirement plan board periodically reviews the plan assumptions, asset allocation, and performance of the investments in the plan.

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

Year	Expected Benefit Payments
2014	$ 1,219,476
2015	1,269,024
2016	1,325,830
2017	1,341,093
2018	1,338,059
2019 and after	6,685,565

The Diocese is required to contribute, and is expected to contribute, $676,000 to the plan by December 31, 2014.

As discussed in Note 7, U.S. GAAP established a framework for measuring fair-value. That framework provides a fair-value hierarchy that prioritizes the inputs to valuation techniques used to measure fair-value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair-value hierarchy are described in Note 7.

NOTE 17 - DEFINED-BENEFIT PLANS (CONTINUED)

[2] Diocese of Bridgeport Retirement Plan for Priests: (continued)

The asset's or liability's fair-value measurement level within the fair-value hierarchy is based on the lowest level of any input that is significant to the fair-value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

[3] Former Pension Plan for Priests:

The Diocese also provides pensions under a plan that was superseded by the Diocese of Bridgeport Retirement Plan for Priests to priests who were retired before adoption of the new plan and were not eligible to participate due to their advanced ages when the plan was adopted. The present value of the estimated obligation to these priests was $322,986 and $346,640, determined using a discount rate of 5.00% and 4.25% at December 31, 2013 and 2012, respectively, and is included in pension and other retirement obligations. Pension payments were approximately $101,000 for both 2013 and 2012, respectively. The obligation is unfunded. The actuarial loss together with interest on this obligation is included in other pension expense for priests totaling $77,415 and $92,725 for the years ended December 31, 2013 and 2012, respectively.

[4] Bridgeport Diocesan Cash Balance Plan:

The Bridgeport Diocesan Cash Balance Plan ("BDCBP") is a defined-benefit pension plan qualified under Internal Revenue Service regulations. The BDCBP covers lay employees of the Diocese and other Diocesan entities who work at least 20 hours per week, who met eligibility requirements of three years of continuous service, and who were 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, 2013. The plan is expected to be funded, terminated and participants' pension account balances distributed once approval to do so is obtained from the Internal Revenue Service. The benefit obligation for participants' pension accounts was $238,418 and $246,889 at December 31, 2013 and 2012, respectively, and is included in pension and other retirement obligations. Net periodic pension expense was $15,031 and $10,346 for the years ended December 31, 2013 and 2012, respectively.

NOTE 18 - DEFINED-CONTRIBUTION PLANS

The Diocese maintains a defined-contribution 401(a) thrift plan covering all lay employees of the Diocese and other Diocesan entities who worked at least 20 hours per week, who meet the eligibility requirements of one year of service, and who were 21 years of age. Contributions 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 certain long serving employees at August 1, 2010 at rates of 10% or 13%. The Diocese's contributions totaled approximately $374,000 and $407,000 for the years ended December 31, 2013 and 2012, respectively.

The Diocese also provides for a 403(b) salary reduction plan for all employees who wish to contribute. The Diocese does not make any contributions to this plan.

NOTE 19 - POSTRETIREMENT PRIESTS' MEDICAL PLAN

The Diocese provides medical and dental benefits for retired priests on an unfunded basis through insurance purchased annually from a third party. The following provides further information about the plan.

A summary of the funded status at December 31, 2013 and 2012:

	2013	2012
Accumulated postretirement benefit obligation at end of year	$ 9,369,220	$ 10,083,587
Fair-value of plan assets at end of year	$ 0	$ 0
Unfunded status	$ 9,369,220	$ 10,083,587
Current portion	$ 421,348	$ 371,144
Non-current portion	8,947,872	9,712,443
Accrued postretirement benefits	$ 9,369,220	$ 10,083,587

The components of the net periodic benefit cost include the following components for the years ended December 31, 2013 and 2012:

	2013	2012
Service cost	$ 329,596	$ 242,772
Interest cost	456,061	439,522
Remaining transition obligation	195,000	195,000
Prior service cost	36,000	36,000
Net loss	146,865	52,836
Net periodic postretirement benefit cost	$ 1,163,522	$ 966,130
Employer contributions	$ 369,111	$ 367,176

Other changes in plan assets and benefit obligation recognized in changes in unrestricted net assets for the years ended December 31, 2013 and 2012 are as follows:

	2013	2012
Amortization of new actuarial (gain) loss due to experience	$ 484,450	$ (597,851)
Adjustment to (gain) loss due to assumptions	(1,615,363)	1,437,482
Amortization of unrecognized amounts	(182,865)	(283,836)
Total recognized change in unrestricted net assets	$ (1,313,778)	$ 555,795

The estimated net loss, transition obligation and prior service cost for the Diocese's postemployment priests' medical plan that will be amortized into net periodic benefit cost over the next fiscal year are $337,780, $2,047,500 and $375,000, respectively. The estimated amount of the Diocese's contribution for 2014 is $424,348.

NOTE 19 - POSTRETIREMENT PRIESTS' MEDICAL PLAN (CONTINUED)

The weighted-average discount rate assumed in the calculation was 5.00% and 4.25% for the years ended December 31, 2013 and 2012, respectively. For measurement purposes, an 8.00% annual rate of increase in the per capita cost of covered medical benefits and 5.00% annual rate of increase in the per capita cost of covered dental benefits were assumed for 2013; these rates were assumed to decrease gradually to 5.00% through 2019 and remain at that level thereafter. The health care cost trend assumption has a significant effect on the amount reported.

The following benefit payments, which reflect future service, as appropriate, are expected to be paid over the next ten fiscal years:

Year	Expected Benefit Payments
2014	$ 421,348
2015	435,799
2016	463,207
2017	476,675
2018	485,607
2019 and after	2,772,030

NOTE 20 - 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.

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, 2013 and 2012, the aggregate balances outstanding on these loans were approximately $4,834,000 and $5,650,000, respectively.