Combined Financial Statements and
Supplementary Information Together With
Report of Independent Certified Public Accountants

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE

December 31, 2014

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Most Reverend Frank J. Caggiano
Bishop of the Roman Catholic Diocese of Bridgeport:

We have audited the accompanying combined financial statements of The Bridgeport Roman Catholic Diocesan Corporation and Affiliate (collectively, the "Diocese") which comprise the combined statement of financial position as of December 31, 2014, and the related combined statements of activities and cash flows for the year then ended and the related notes to the combined financial statements.

Management's responsibility for the combined financial statements

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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 Diocese'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 Diocese'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 combined financial position of The Bridgeport Roman Catholic Diocesan Corporation and Affiliate as of December 31, 2014, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as of and for the year ended December 31, 2014 taken as a whole. The Combined Schedule of Functional Expenses for the year ended December 31, 2014 is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Grant Thornton LLP

New York, New York
December 4, 2015

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE

Combined Statement of Financial Position

December 31, 2014

ASSETS		
Cash and cash equivalents		$ 11,460,308
Restricted cash		448,739
Investments, at fair value		31,372,958
Cemeteries and other accounts receivable		679,300
Prepaid expenses		779,404
Insurance recoveries receivable		552,767
Pledges and contributions receivable, net		1,165,203
Cemetery inventory		3,016,218
Due from related Diocesan entities, net		4,784,032
Note receivable		1,225,000
Beneficial interests in trusts held by others		1,272,870
Property, buildings and equipment, net		38,377,454
Total assets		$ 95,134,253
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses		$ 1,954,378
Special collection payable		409,423
Self-insurance claims and deductible amounts payable		4,667,403
Deferred revenue		388,761
Refundable advances - Cemeteries		151,611
Due to related Diocesan entities		2,812,915
Notes payable		12,398,024
Deferred revenue - life use fees		3,157,994
Conditional asset retirement obligations		5,366,569
Obligations due under split-interest agreements		350,133
Pension and other postretirement benefit assets	$ 103,289,285	
Pension and other postretirement benefit obligations	(222,671,274)	
Net pension and other postretirement benefit obligations		119,381,989
Total liabilities		151,039,200
Contingencies		
NET ASSETS (DEFICIT)		
Unrestricted		(85,483,450)
Temporarily restricted		8,436,935
Permanently restricted		21,141,568
Total net deficit		(55,904,947)
Total liabilities and net deficit		$ 95,134,253

The accompanying notes are an integral part of this combined financial statement.

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE

Combined Statement of Activities

Year ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, SUPPORT AND OTHER CHANGES				
Annual Bishop's Appeal	$ 9,953,976	$ 131,072	$ -	$ 10,085,048
Contributions and bequests	1,912,571	2,349,739	201,666	4,463,976
Cathedraticum from parishes	3,070,506	-	-	3,070,506
Employee benefit and insurance programs	17,708,375	-	-	17,708,375
Cemeteries operations	6,049,653	-	-	6,049,653
Other operating revenues	2,866,265	-	-	2,866,265
Insurance recoveries related to prior years' claims	1,837,623	-	-	1,837,623
Rental income	1,602,545	-	-	1,602,545
Program fees	396,369	-	-	396,369
Advertising	292,531	-	-	292,531
Change in fair value of beneficial interests in trusts held by others	-	-	(11,263)	(11,263)
Net assets released from restrictions	1,217,998	(1,217,998)	-	-
Total revenues, support and other changes	46,908,412	1,262,813	190,403	48,361,628
EXPENSES				
Programs	10,934,838	-	-	10,934,838
Employee benefit and insurance programs	22,607,573	-	-	22,607,573
Cemeteries operations	3,057,936	-	-	3,057,936
Faith in the Future Fund, Inc.	1,007,287	-	-	1,007,287
Teresian Towers and Carmel Ridge Estates	933,060	-	-	933,060
Management and general	7,817,551	-	-	7,817,551
Stewardship and development	1,087,919	-	-	1,087,919
Total expenses	47,446,164	-	-	47,446,164
(Loss) income from operations before depreciation and accretion	(537,752)	1,262,813	190,403	915,464
Depreciation and accretion	(2,166,005)	-	-	(2,166,005)
(Loss) income from operations before nonoperating activities	(2,703,757)	1,262,813	190,403	(1,250,541)
NONOPERATING ACTIVITIES				
Pension related-activity other than net periodic benefit cost	(39,338,077)	-	-	(39,338,077)
Investment income, net	385,610	1,204,434	-	1,590,044
Derecognition of endowments	-	(23)	(326,047)	(326,070)
Other	(635,002)	-	-	(635,002)
Recognition of Teresian Towers and Carmel Ridge Estates	(427,699)	-	-	(427,699)
Distribution of assets to legally separated entity	(2,114,385)	(220,194)	(50,000)	(2,384,579)
(Decrease) increase in net assets	(44,833,310)	2,247,030	(185,644)	(42,771,924)
Net (deficit) assets - beginning of year	(40,650,140)	6,189,905	21,327,212	(13,133,023)
Net (deficit) assets - end of year	$ (85,483,450)	$ 8,436,935	$ 21,141,568	$ (55,904,947)

The accompanying notes are an integral part of this combined financial statement.

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE

Combined Statement of Cash Flows

Year ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ (42,771,924)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and accretion	2,166,005
Transfer of noncash net assets to St. Catherine Center for Special Needs	1,513,209
Recognition of noncash net deficit from Teresian Towers and Carmel Ridge Estates	1,350,502
Bad debt expense	3,261,924
Change in fair value of beneficial interests in trusts held by others	11,263
Contributions restricted for endowment	(201,666)
Gain on investments	(259,068)
(Increase) decrease in assets	
Cemeteries and other accounts receivable	(130,108)
Prepaid expenses	(196,419)
Insurance recoveries receivable	777,583
Pledges and contributions receivable	(837,428)
Due from related Diocesan entities	6,911,801
Beneficial interests in trusts held by others	(762,796)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	397,317
Special collection payable	(29,243)
Self-insurance claims and deductible amounts payable	(694,292)
Deferred revenue	388,761
Refundable advances - Cemeteries	(1,180,115)
Due to related Diocesan entities	(842,128)
Deferred revenue - life use fees	63,040
Obligations due under split-interest agreements	350,133
Pension and other postretirement benefit obligations	40,880,503
Net cash provided by operating activities	10,166,854
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(3,076,697)
Proceeds from sales of investments	1,925,014
Purchases of property and equipment	(438,665)
Proceeds from note receivable	300,000
Net cash used in investing activities	(1,290,348)
CASH FLOWS FROM FINANCING ACTIVITIES	
Change in restricted cash	35,960
Contributions restricted for endowment	201,666
Principal payments on notes payable	(265,788)
Net cash used in financing activities	(28,162)
Net increase in cash and cash equivalents	8,848,344
Cash and cash equivalents - beginning of year	2,611,964
Cash and cash equivalents - end of year	$ 11,460,308

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE

Combined Statement of Cash Flows (continued)

Year ended December 31, 2014

SUPPLEMENTARY INFORMATION		
Cash paid for interest	$	637,438
Transfer of noncash net assets to St. Catherine Center for Special Needs		
Noncash assets transferred		
Accounts receivable	$	152,550
Investments		59,003
Property and equipment, net		1,820,131
Other assets		46,336
Total noncash assets transferred		2,078,020
Noncash liabilities transferred		
Accounts payable and accrued expenses		96,120
Deferred revenue		229,400
Loan payable		239,291
Total noncash liabilities transferred		564,811
	$	1,513,209
Recognition of noncash net deficit from Teresian Towers and Carmel Ridge Estates		
Noncash assets transferred		
Restricted cash	$	46,033
Due from related Diocesan entities		286,680
Accounts receivable		155
Property and equipment, net		1,543,466
Total noncash assets recognized		1,876,334
Noncash liabilities transferred		
Accounts payable and accrued expenses		131,882
Deferred revenue - life use fees		3,094,954
Total noncash liabilities recognized		3,226,836
	$	(1,350,502)

The accompanying notes are an integral part of this combined financial statement.

1. ORGANIZATION

The Bridgeport Roman Catholic Diocesan Corporation ("BRCDC") is a Connecticut not-for-profit, religious non-stock corporation formed in 1953 serving more than 460,000 registered Catholics in Fairfield County. BRCDC's principal programs provide for pastoral, religious personnel services, care and support for retired clergy (including Queen of Clergy), Catholic education and faith formation, educational administration and curriculum, pastoral and human services focused on prison ministry and pastoral care of the aged, vocations and seminarian education, parish finance and other support services to parishes and individuals within the Fairfield county area.

Faith in the Future Fund, Inc. ("Faith in the Future"), an affiliate of BRCDC, is a Connecticut nonprofit, non-stock corporation formed in February 1996. Faith in the Future was established to raise, manage and disburse funds raised by the Faith in the Future Endowment Campaign of the Roman Catholic Diocese of Bridgeport. The campaign purposes were to create a permanent endowment to support Catholic education, vocation and seminary education, priests' residence and retirement fund and Diocesan ministries and programs, having goals of assuring the viability of Diocesan elementary and secondary schools; continuing to develop priestly vocations and to fund seminary education; providing appropriate support and facilities for its retired clergy and enhancing the religious education programs in its parishes.

BRCDC relies principally on contributions received through the Annual Bishop's Appeal, fundraising efforts and the Fairfield County Catholic operations to support the services BRCDC provides. Cathedraticum from parishes together with residual Catholic cemeteries revenues support the administration and general activities of BRCDC.

In addition, BRCDC sponsors self-insured medical and dental care, workers' compensation programs, property, casualty, liability and other insurance programs, and pension and postretirement benefit plans for the Roman Catholic Diocese of Bridgeport and other Diocesan entities and their employees. The other Diocesan entities are responsible for their respective portions of the cost of these programs and pension and postretirement benefit 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 Teresian Towers and Carmel Ridge Estates, life use and rental properties for elderly residents and pastoral care services for residents at nursing homes formerly owned by Diocesan related entities. BRCDC directly operates fifteen Catholic cemeteries and publishes the Fairfield County Catholic, a monthly publication available to all Catholics in the Roman Catholic Diocese of Bridgeport.

The Roman Catholic Diocese of Bridgeport established the St. Catherine Center for Special Needs, Inc. (the "Center"), previously St. Catherine's Academy (the "Academy") as a separately incorporated entity on October 25, 2014, governed by a separate independent board of directors. Until October 24, 2014, all activity of the Academy has been recorded within BRCDC's combined financial statements. On October 25, 2014, BRCDC transferred all of the Academy's assets and liabilities to the Center which has been recorded as a distribution within the accompanying combined statement of activities. Such assets and liabilities were transferred at carrying value as these entities are under common control.

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

- 82 parishes and one shrine
- 24 elementary schools, one middle school and five high schools
- Bridgeport Diocesan Schools Corporation
- Cardinal Shehan Center and the McGivney Community Center, after school programs for children
- St. Catherine Center for Special Needs Inc., a school for children with disabilities (beginning October 25, 2014)
- Catholic Charities of Fairfield County, Inc. ("Catholic Charities")
- Six government-subsidized Augustana (Bishop Curtis) Homes, homes for the elderly
- Bridgeport Diocesan Healthcare Properties, Inc. which is the sole member of Saint Joseph Properties LLC, The Blessed Pope John Paul II Properties LLC and St. Camillus Properties, LLC, owners of land on which previously owned nursing homes are located.
- Inner-City Foundation for Charity and Education, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP") and are presented on a combined basis to include the accounts of BRCDC, reflecting its activities and direct operations, and the accounts of Faith in the Future (collectively, the "Diocese"). All significant intercompany balances and transactions have been eliminated in combination.

During 2014, the Diocese determined that the operations of Teresian Towers and Carmel Ridge Estates, programs of BRCDC, should be reported within the Diocese's combined financial statements. Accordingly, as of January 1, 2014, the Diocese recognized assets, liabilities and a net deficit of Teresian Towers and Carmel Ridge Estates, totaling approximately $2,799,000, $3,227,000 and $428,000, respectively. Diocese management has evaluated these adjustments and concluded that they did not have a material impact on the Diocese's 2014 combined financial statements. Additionally, the associated 2014 revenues and expenses of Teresian Towers and Carmel Ridge Estates have been included as part of the accompanying combined financial statements.

Classifications of Net Assets

The Diocese reports its net assets and changes therein based on the existence or absence of donor-imposed restrictions as follows:

Unrestricted Net Assets - consist of resources available for the general support of the Diocese's operations. Unrestricted net assets may be used at the discretion of management and the Bishop of the Roman Catholic Diocese of Bridgeport.

Unrestricted net assets (deficit) at December 31, 2014 consist of the following:

Amounts designated for program activities and other	$	887,654
Pension and other postretirement benefit obligations		(119,381,989)
Net investment in plant		33,010,885
Total unrestricted net deficit	$	(85,483,450)

Net investment in plant represents resources designated for property, buildings and equipment, less accumulated depreciation and conditional asset retirement obligations.

Temporarily Restricted Net Assets - net assets subject to donor-imposed stipulations that either expire with the passage of time or can be fulfilled by the actions of the Diocese pursuant to those stipulations. 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. However, when restrictions on donor-restricted contributions and investment return are met in the same accounting period, such amounts are reported as part of unrestricted net assets.

Permanently Restricted Net Assets **-** consist of funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. Income and gains earned on endowment fund investments are available to be used for expenditures according to restrictions imposed by the donors.

Cash and Cash Equivalents

Cash and cash equivalents are defined as highly liquid investments with original maturities of up to 90 days from the date of purchase, except for money market accounts held with investment brokers, which are considered to be investments that are held for long-term investment purposes.

Restricted Cash and Special Collection Payable

Restricted cash and special collections 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 payment.

Investments

Investments in equity and debt securities with readily determinable fair values are recorded at fair value determined on the basis of quoted market values as of the reporting date. Investments in non-exchange traded alternative investments are recorded at the fair value of the Diocese’s unit value in these funds as reported by the respective external investment managers. All investments are managed by outside investment advisors subject to the review, approval, and control of the Diocese. Such valuations involve assumptions and methods that are reviewed by the Diocese for reasonableness.

Purchases and sales of securities are recorded on the trade date basis. Dividends and interest are recognized as earned. Realized and unrealized gains include the Diocese’s gains and losses on investments bought and sold as well as held during the year.

Fair Value Measurements

The Financial Accounting Standards Board ("FASB") Topic 820, under the FASB Accounting Standards Codification ("ASC") defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value, which focuses on an exit price between market participants in an orderly transaction. The standard also prioritizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the respective asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is categorized into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at NAV at the date of the statement of financial position or in the near term, which the Diocese has determined to be within 90 days.

Level 3 - Securities that have little to no pricing observability as of the report date. These securities are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Diocese. The Diocese considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Diocese's perceived risk of that instrument.

The Diocese's policy is to recognize transfers in and transfers out of levels at the end of the reporting period.

Amounts Due from Related Diocesan Entities

Amounts due from related Diocesan entities relate primarily to amounts due for employee benefits, insurance premiums, pension premiums, Cathedraticum from parishes and advances made to parishes, educational institutions, and other Diocesan affiliated organizations that are in financial need. Because of the uncertainty surrounding the collection, management provides an allowance for doubtful accounts based on consideration of the type of receivable, responsible party, the known financial condition of the respective parish or Diocesan affiliated organization, historical collection patterns and comparative aging. These allowances are maintained at a level management considers adequate to provide for subsequent adjustments and potential uncollectible accounts. These estimates are reviewed periodically and if the financial condition of the responsible party changes significantly, the Diocese will re-evaluate the recoverability of any amounts due from that organization. The Diocese writes-off any amounts that are no longer considered to be recoverable, and any payments subsequently received on such receivables are recorded as income in the period received.

Split-Interest Agreements

The Diocese has recorded a beneficial interest in a charitable remainder trust for which the Diocese has an irrevocable beneficial interest but does not serve as trustee. The present value of the estimated future benefits to be received upon termination of the life interests is recorded as an asset. Changes in the present value of amounts ultimately to be received are recorded as temporarily restricted changes in value in beneficial interests on the statement of activities. At December 31, 2014, the balance of the Diocese's beneficial interest in a charitable remainder trust was $762,796 and is classified as Level 3 within the fair value hierarchy. The estimated net present value of the charitable remainder trust is considered to be temporarily restricted until the funds are received. Subsequent to December 31, 2014, the Diocese was informed that the remainder beneficiary had deceased and the residual assets of $762,796 were distributed to the Diocese.

The Diocese has also been named as a beneficiary in a perpetual trust held by a third party. Perpetual trusts are initially recorded as permanently restricted support at fair value, based on the Diocese's beneficial interest in the fair value of the underlying trust assets at the time of gift. Subsequent changes in the trust's fair value are reported as permanently restricted changes in value in beneficial interests on the statement of activities. At December 31, 2014, the balance of the Diocese's beneficial interest in a perpetual trust is $510,074 and is classified as Level 3 within the fair value hierarchy. The income received from the trust is designated for the benefit of seminarian education and recorded as part of temporarily restricted investment income.

The table below sets forth a summary of changes in fair value of the Diocese's Level 3 beneficial interests in trusts held by others for the year ended December 31, 2014:

	Beneficial Interests in Trusts Held By Others
Balance - beginning of year	$ 521,337
Contributions	762,796
Change in fair value of beneficial interests in trusts	(11,263)
Balance - end of year	$ 1,272,870

In addition, the Diocese holds assets under a split-interest agreement consisting of charitable remainder trust for which the Diocese serves as the trustee. The agreement provides for payments to stipulated beneficiaries of income earned on related investments. Assets held under this agreement are included in investments. A portion of the contributed assets is considered to be a charitable contribution for income tax purposes for the donor and has been recognized as a contribution by the Diocese at the date of gift. As trustee, the Diocese has recorded a liability for the present value of the estimated future payments expected to be made to the beneficiaries which approximates the fair value of the trust assets allocable to the annuitants. The liability is adjusted during the term of the agreement for changes in the estimates of future payments. Such adjustments are reported as change in value of split-interest agreements on the combined statement of activities. At December 31, 2014, the amount of the Diocese's obligation under this split-interest agreement totaled $350,133.

Property, Buildings and Equipment

Property acquisitions and improvements are stated at cost, or in the case of donations, at fair value as determined on the date of gift. Additions and improvements that exceed $2,500 and with useful lives greater than five years are capitalized 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 arrangements is capitalized and amortized over the useful life of the related asset or the lease term, whichever is shorter.

Contributions

Contributions, including unconditional promises to give, are reported as revenues in the period received. Unconditional promises to give in greater than one year are discounted to reflect the present value of future cash flows using a credit adjusted discount rate assigned in the year the respective pledge originates. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided in the net asset class in which the contribution receivable resides based on an assessment of the creditworthiness of the respective donor. Contributions are written-off when determined to be uncollectible. 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 this criteria for recognition.

Cemetery Inventory

Cemetery inventory, which represents the cost of each unsold space, is stated at the lower of cost (computed based on the allocation of total costs incurred in the construction of the mausoleums) or market. As sales are made, inventory is reduced by the cost of the space sold.

Cemeteries Revenues

The Catholic cemeteries of the Diocese sell rights to interment and entombment on retail installment contracts generally of not more than one year’s duration, without interest. Revenues from these sales are recognized upon the date of sale. Other revenues generated from sales of cemetery merchandise and services are deferred until the merchandise is delivered or the services are performed, at which time they are fully earned.

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

Deferred Revenue

Funds that are received from related entities in advance for medical insurance premiums for future periods are reflected as deferred revenue in the combined statement of financial position and are subsequently reflected in the combined statement of activities during the period in which they apply and are earned.

Deferred Revenue – Life Use Fees and Rental Income

The Diocese operates certain homes for life use and rental properties for elderly residents (Teresian Towers and Carmel Ridge Estates) in which a resident enters into a residency agreement requiring the payment of a one-time life use fee and a monthly service fee. These fees are exclusively for the costs of occupancy of the residential unit for life and no portion of the fee is allocated for medical care or services for the resident. The life use fee is refundable at a rate of 10 percent per annum from the date the resident is entitled to occupancy under the agreement to the date the unit is vacated by the resident. Teresian Towers also provides other senior living options that operate under operating lease agreements that do not require payment of a life use fee and are recorded as rental income in the period earned.

Life use fees paid by the resident upon executing a residency agreement are recorded as deferred revenue and amortized into rental income based on the longer of the actuarially determined remaining estimated life of the respective resident or the remaining refundable term under the executed contract. Monthly service fees include resident maintenance fees and are recognized as part of rental income in the month in which they are earned.

Conditional Asset Retirement Obligations

The Diocese has conditional asset retirement obligations ("CARO") for asbestos materials and underground storage tanks associated with buildings it owns. Those obligations are defined as legal obligations associated with the eventual 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. As of December 31, 2014, the CARO liability totaled $5,366,569. For the year ended December 31, 2014, accretion of interest related to these obligations totaled $267,775. Additionally, as of December 31, 2014, included in buildings and improvements are capitalized conditional asset retirement obligations at a cost of $264,499 and accumulated depreciation of $224,011.

Functional Expense Allocation

Expenses are charged directly to Diocesan program services, stewardship and development, 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 amongst the programs and supporting services benefited. 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.

Use of Estimates

The preparation of the combined financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined statement of financial position and the reported amounts of revenues and expenses during the reporting period. The most significant management judgments and estimates used in the preparation of the accompanying combined financial statements relate to the determination of depreciation expense, the reported fair value of certain financial instruments, the actuarial assumptions used to determine the reserves for self-insurance, liability for pension and other postretirement benefits, and deferred revenue associated with residence life use fees, provision for operating accruals and the collectability of amounts due from related Diocesan entities and contributions receivable. Actual results could differ from those estimates.

Concentration of Market and Credit Risks

Cash, cash equivalents and investments are exposed to interest rate, market, and credit risks. The Diocese maintains its cash and cash equivalents in various bank deposit accounts that, at times, may exceed federally insured limits. To minimize risk, the Diocese's cash accounts are placed with high-credit quality financial institutions, and the Diocese's investment portfolio is diversified with several investment managers in a variety of asset classes. The Diocese regularly evaluates its depository arrangements and investments, including performance thereof.

Income Taxes

The Diocese recognizes an individual tax position in its combined financial statements based upon whether the tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Diocese has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions. As of December 31, 2014, management has determined that the Diocese has no uncertain tax positions that would require recognition or disclosure in its combined financial statements.

In an annually updated ruling, the Internal Revenue Service has held that agencies, instrumentalities and educational, charitable, and religious institutions operated, supervised, or controlled by or in connection with the Roman Catholic Church in the United States, its territories or possessions appearing in "The Official Catholic Directory" are exempt from federal income tax under provisions of Section 501(c)(3) of the Internal Revenue Code. The Diocese is listed in "The Official Catholic Directory" and therefore is exempt from income tax. Accordingly, the accompanying combined financial statements reflect no provision for income taxes. The tax years ended December 31, 2011, 2012, 2013 and 2014 remain open to audit for both federal and state purposes.

Subsequent Events

The Diocese evaluated its December 31, 2014 combined financial statements for subsequent events through December 4, 2015, the date the combined financial statements were available to be issued. The Diocese is not aware of any material subsequent events which would require recognition or disclosure in the accompanying combined financial statements, except as disclosed in Notes 2, 7, 9, 12 and 13.

3. PLEDGES AND CONTRIBUTIONS RECEIVABLE, NET

Pledges and contributions receivable, net, consist of the following unconditional promises to give at December 31, 2014:

Amounts expected to be collected in:	
Less than one year	$ 1,228,005
One to two years	325,124
	1,553,129
Less: Provision for doubtful accounts	(387,926)
	$ 1,165,203

During 2014, the Diocese received notification of certain intentions to give. However, due to their conditional nature, these gifts have not been reflected on the accompanying financial statements.

4. DUE FROM RELATED DIOCESAN ENTITIES, NET

Due from related Diocesan entities, net, consist of the following at December 31, 2014:

Parishes	$ 8,775,149
Schools	23,398,032
Other	1,508,444
	33,681,625
Less: Provision for doubtful accounts	(28,897,593)
	$ 4,784,032

5. NOTE RECEIVABLE

During November 2013, the Diocese sold approximately 45 acres of land located in Easton, Connecticut for $1,750,000. The sales agreement required the Diocese to issue a mortgage note to the borrower for $1,550,000, which matures in November 2016. Monthly principal payments of $25,000 plus interest at 2% were due during 2013 and 2014. Thereafter, monthly principal payments of $20,000 plus interest at 2% are due until November 2016, at which time the note receivable matures and a balloon payment of $790,000 is due. The note is secured by a security interest in real property located in Easton, Connecticut. As of December 31, 2014, the outstanding note receivable totaled $1,225,000.

6. INVESTMENTS, AT FAIR VALUE

As of December 31, 2014, investments, at fair value, by fair value hierarchy level, consist of the following:

Description	Level 1	Level 2	Level 3	Total
Money market funds	$ 3,686,042	$ -	$ -	$ 3,686,042
Common stocks	8,297,428	-	-	8,297,428
Equity mutual funds	7,244,917	-	-	7,244,917
Multi-strategy mutual funds	1,891,571	-	-	1,891,571
Exchange traded funds	1,099,328	-	-	1,099,328
Corporate bonds	-	153,112	-	153,112
Bond mutual funds	6,023,346	-	-	6,023,346
Alternative investments	-	1,092,891	195,793	1,288,684
Closed-end funds	1,116,419	-	-	1,116,419
Catholic Umbrella Pool	-	-	572,111	572,111
Total investments, at fair value	$ 29,359,051	$ 1,246,003	$ 767,904	$ 31,372,958

The following table summarizes the changes in the Diocese’s Level 3 investments for the year ended December 31, 2014:

	Catholic Umbrella Pool	Alternative Investments
Balance - beginning of year	$ 553,261	$ 183,300
Net appreciation (depreciation) of investments	60,363	(17,507)
Purchases	-	30,000
Distributions	(41,513)	-
Balance - end of year	$ 572,111	$ 195,793

Investment income, net, consists of the following for the year ended December 31, 2014:

Interest and dividends	$ 1,500,517
Net appreciation in fair value of investments	259,068
	1,759,585
Less: Investment fees	(169,541)
	$ 1,590,044

The Diocese uses, as a practical expedient for reporting fair value, an NAV per share or its equivalent for purposes of valuing certain investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, as defined by ASC Topic 740. The following table lists such investments by major category as of December 31, 2014:

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedge funds	Generate performance through long/short, distressed, event-driven, multi, and high yield strategies.	$ 1,092,891	4	Subject to the determination of the respective fund manager	$ -	3 funds have quarterly redemption with 45 days notice; and 1 fund has quarterly redemption with 60 days notice	N/A
Limited partnership	Generate long-term capital appreciation through investments in equity and debt obligations of undervalued entities.	195,793	1	February 26, 2020, unless dissolved earlier or extended in accordance with partnership agreement	$ 25,000	No ability to be redeemed	No ability to be redeemed
		$ 1,288,684					

7. PROPERTY, BUILDINGS AND EQUIPMENT, NET

Property, buildings and equipment, net, consist of the following at December 31, 2014:

Furniture and fixtures	$ 2,595,107
Vehicles, computers and other equipment	3,805,159
Buildings and improvements	58,695,760
Construction in progress	100,507
Land improvements	1,708,040
Land	17,446,790
	84,351,363
Less: Accumulated depreciation	(45,973,909)
Property, buildings and and equipment, net	$ 38,377,454

Certain land and buildings owned by the Diocese, with a net book value of $16,036,928 at December 31, 2014, are made available to Diocesan high schools, elementary schools and the middle school for their use, free of rent. In addition, land and buildings owned by the Diocese with a net book value of $1,157,686 at December 31, 2014 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, which totaled approximately $282,000 for 2014. The tuition credits are utilized by teachers in Diocesan schools seeking advanced degrees and by Diocesan seminarians seeking undergraduate degrees or individual courses.

In February 2015, the Diocese sold and closed on a parcel of vacant land located in Bethel, CT for $2,350,000, which will result in a gain in 2015 of approximately $2,300,000. Of the sale proceeds received, $1,648,006 was paid by the Diocese to the Knights of Columbus to reduce the principal balance on its note payable (see Note 9).

8. DUE TO RELATED DIOCESAN ENTITIES

Amounts due to related Diocesan entities consist of the following at December 31, 2014:

Catholic Charities	$ 1,101,944
Catholic Academies of Bridgeport	665,691
Bridgeport Diocesan Schools Corporation	800,000
Other related entities	245,280
	$ 2,812,915

In connection with the Diocese's on-going fundraising campaign activities, amounts received by the Diocese for the benefit of other named diocesan entities are recorded as agency transactions, by increasing cash and recognizing an off-setting payable due to the stipulated entity to which the proceeds pertain. It is the policy of the Diocese to only recognize cash amounts received for the benefit of other named beneficiaries. As of December 31, 2014, the Diocese had received cash collections for the benefit of Catholic Charities and Catholic Academies of Bridgeport totaling $1,101,944 and $665,691, respectively, which will be paid during 2015.

9. NOTES PAYABLE

The Diocese has the following notes payable at December 31, 2014:

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 payable to the Knights of Columbus and is secured by certain properties and other assets of the Diocese. In February 2015, the Diocese made a principal payment of $1,648,006 (see Note 7).	$ 12,351,375
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, 2014. The note is secured by certain property of the Diocese. This note was paid in full in February 2015.	46,649
	$ 12,398,024

Scheduled payments due on notes payable at December 31, 2014 are as follows:

2015	$ 46,649
2016	-
2017	908,901
2018	955,403
2019	1,004,283
Thereafter	9,482,788
Total	$ 12,398,024

10. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes or time periods at December 31, 2014:

Purpose restrictions	
Queen of Clergy priest retirement home expansion	$ 2,248,953
St. John Fisher Seminary - beneficial interest	762,796
St. John Fisher Seminary - capital improvements	220,000
St. John Fisher Seminary - program	20,118
Trinity Catholic high school field improvements	523,510
Education grants	182,174
The Newman Center ministry programs	133,004
Social Media	103,091
Bishop's Scholarship Fund	100,000
Synod	46,172
Other	21,284
Total purpose restrictions	4,361,102
Time restrictions	
Pledges receivable	
Queen of Clergy retirement home expansion	107,790
Social Media	195,000
Synod	130,000
Other	100,406
Accumulated gains and income on donor-restricted endowment assets restricted until appropriation	3,542,637
Total time restrictions	4,075,833
Total temporarily restricted net assets	$ 8,436,935

Net assets were released from restrictions by incurring expenses satisfying the following purpose or time restrictions for the year ended December 31, 2014:

Purpose restrictions	
Program services	$ 1,760
Time restrictions	
Collection of pledges receivable	206,422
Appropriation of donor-restricted endowment assets for expenditure	1,009,816
Total net assets released from restrictions	$ 1,217,998

11. PERMANENTLY RESTRICTED NET ASSETS AND ENDOWMENT

Permanently restricted net assets at December 31, 2014 consist of assets that have been restricted by donors to be invested in perpetuity to provide a permanent source of income. Such income is primarily restricted for vocations, seminarian education, religious education and support of Diocesan high schools and elementary schools.

The Diocese's donor-restricted (gifted) endowment consists of approximately 15 individual funds established for a variety of purposes; it excludes beneficial interest in perpetual trust held by others. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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 fund, 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 its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment, and (c) accumulations to its 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 such 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 for expenditure or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Diocese and its 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 appreciation of endowment investments
- Other resources of the Diocese

Return Objectives and Risk Parameter

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.

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.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Diocese has adopted a spending policy that allows for up to 4.0% of the average quarterly ending fair value of its endowment funds over the preceding twenty quarters to be used in support of operations. This is consistent with the Diocese's objective to maintain the purchasing power of its endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

The following tables summarize the Diocese's total return on endowment investments and the changes in endowment net assets, excluding beneficial interest in perpetual trust held by others of $510,074, for the year ended December 31, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 3,542,637	$ 20,631,494	$ 24,174,131

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets - beginning of year	$ -	$ 3,374,969	$ 20,805,875	$ 24,180,844
Investment return				
Interest and dividends	-	1,111,784	-	1,111,784
Net appreciation of investments	-	205,808	-	205,808
Investment fees	-	(125,186)	-	(125,186)
Total investment return	-	1,192,406	-	1,192,406
Contributions	-	-	201,666	201,666
Appropriation of endowment assets	-	(1,009,816)	-	(1,009,816)
Transfer of Academy endowment to Center	-	(8,661)	(50,000)	(58,661)
Release from restrictions	-	(6,261)	(326,047)	(332,308)
Endowment net assets - end of year	$ -	$ 3,542,637	$ 20,631,494	$ 24,174,131

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 US GAAP, such amounts would be charged to unrestricted net assets. Subsequent investment earnings on such funds which restore the fair value of individual endowment funds back to their original corpus value are reported in unrestricted net assets, with earnings in excess of this amount reported in temporarily restricted net assets. As of December 31, 2014, there were no endowment funds below their historical dollar value.

12. DEFINED BENEFIT PLANS

Bridgeport Diocesan Pension Plan - Lay

The Bridgeport Diocesan Pension Plan - Lay ("Lay Plan") is a non-contributory, defined benefit pension plan qualified under IRS regulations. The Lay Plan 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 Lay Plan will be managed through future contributions to the plan from the Diocese and other Diocesan entities over the remaining lives of current and future retirees included in the plan.

The following tables provide a reconciliation of the changes in the Lay Plan's funded status to the benefit obligation recorded in the combined statement of financial position at December 31, 2014:

Change in projected benefit obligation	
Projected benefit obligation at beginning of year	$ 154,022,146
Service cost	199,500
Interest cost	7,469,585
Actuarial loss	31,462,946
Benefits paid	(8,936,569)
Projected benefit obligation at end of year	$ 184,217,608
Change in fair value of plan assets	
Fair value of plan assets at beginning of year	$ 86,989,404
Actual return on plan assets	4,468,616
Benefits paid	(8,936,569)
Plan sponsor contributions	3,022,110
Fair value of plan assets at end of year	$ 85,543,561
Unfunded status	$ 98,674,047
Accumulated benefit obligation	$ 140,268,238

Cumulative amounts recognized in changes in unrestricted net assets and not yet recognized in net periodic benefit cost as of December 31, 2014 consist of:

Net loss	$ 31,392,261

Net periodic benefit cost for the Lay Plan includes the following components during 2014:

Service cost	$ 199,500
Interest cost	7,469,585
Expected return on plan assets	(5,445,893)
Amortization of actuarial loss	2,055,276
Net periodic benefit cost	$ 4,278,468

Amounts recognized in changes in unrestricted net assets during 2014 consist of:

Actuarial loss	$ 32,440,223
Amortization of actuarial loss	(2,055,276)
Pension related-activity other than net periodic benefit cost	$ 30,384,947

The estimated actuarial loss that will be amortized into net periodic benefit cost during 2015 is $5,788,444.

Assumptions

Weighted-average assumptions used to determine the benefit obligation at December 31, 2014 are as follows:

Discount rate	4.00%
Rate of compensation increase	N/A

Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31, 2014 are as follows:

Discount rate	4.00%
Expected long-term return on plan assets	6.50%
Rate of compensation increase	N/A

Contributions

The Diocese expects to contribute $2,848,000 to the Lay Plan during 2015.

Estimated Future Benefit Payments

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

Year Ending December 31,		
2015	$	9,485,813
2016		9,734,982
2017		9,997,293
2018		10,322,537
2019		10,576,210
2020 to 2024		55,883,070

Plan Assets

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 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 this long-term objective, the composition of plan investments is managed within a range that targets the following allocations by asset type:

Asset Class	Minimum	Target	Maximum
Equities	45.00%	55.00%	65.00%
Fixed income	14.00%	14.00%	50.00%
Cash equivalents	0.00%	0.00%	10.00%
Absolute return	0.00%	23.00%	30.00%
Real assets	0.00%	8.00%	15.00%

The Diocese's Investment Committee periodically reviews the plan assumptions, asset allocation and performance of the investments in the Lay Plan.

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 following table prioritizes the inputs used to measure and report the fair value of the Diocese's Lay Plan assets at December 31, 2014:

Description	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 630,251	$ -	$ -	$ 630,251
Common stocks	27,478,383	-	-	27,478,383
Preferred stocks	471,300	-	-	471,300
Equity mutual funds	20,729,759	-	-	20,729,759
Multi-strategy mutual funds	4,902,164	-	-	4,902,164
Exchange traded funds	3,648,529	-	-	3,648,529
Bond mutual funds	18,943,415	-	-	18,943,415
Closed-end funds	3,181,338	-	-	3,181,338
Alternative investments	-	4,444,251	783,171	5,227,422
	$ 79,985,139	$ 4,444,251	$ 783,171	85,212,561
Cash and accrued dividends				331,000
Total Lay Plan investments				$ 85,543,561

The following table summarizes the changes in the Diocese's Level 3 Lay Plan assets for the year ended December 31, 2014:

	Alternative Investments
Balance - beginning of year	$ 733,200
Net depreciation of investments	(70,029)
Purchases	120,000
Balance - end of year	$ 783,171

The Diocese's pension plan weighted-average asset allocation at December 31, 2014 by asset category are as follows:

Common stocks	32.00	%
Equity mutual funds	24.00	
Multi-strategy mutual funds	6.00	
Exchange traded funds	4.00	
Bond mutual funds	22.00	
Alternative investments	6.00	
Other	6.00	
Total	100.00	%

The Diocese uses, as a practical expedient for fair value, an NAV per share or its equivalent for purposes of valuing certain investments which: (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company, as defined by ASC Topic 740. The following table lists such investments by major category as of December 31, 2014:

Type	Strategy	NAV in Funds	# of Funds	Remaining Life	$ Amount of Unfunded Commitments	Redemption Terms	Redemption Restrictions
Hedge funds	Generate performance through long/short, distressed, event-driven, multi, and high yield strategies.	$ 4,444,251	5	Subject to the determination of the respective fund manager	$ -	3 funds have quarterly redemption with 45 days notice; 1 fund has quarterly redemption with 60 days notice; and 1 fund has monthly redemption with 45 days notice	N/A
Limited partnership	Generate long-term capital appreciation through investments in equity and debt obligations of undervalued entities.	783,171	1	February 26, 2020, unless dissolved earlier or extended in accordance with partnership agreement	100,000	No ability to be redeemed	No ability to be redeemed
		$ 5,227,422			$ 100,000		

Diocese of Bridgeport Retirement Plan for Priests

The Diocese of Bridgeport Retirement Plan for Priests ("Priest Plan") is a non-contributory, defined benefit plan qualified under IRS regulations. The Priest Plan covers Diocesan priests with pension benefits provided at a uniform monthly amount that has been increased from time to time, most recently effective January 1, 2007. Effective January 1, 2015, the Priest Plan was amended to increase the monthly retirement benefit from $1,900 to $2,000 for all active and retired priests and accordingly, the projected benefit obligation was increased by approximately $1,231,000 as of December 31, 2014. Plan assets are held by a third-party trustee.

The following tables provide a reconciliation of the changes in the Priest Plan's funded status to the benefit obligation recorded in the combined statement of financial position at December 31, 2014:

Change in projected benefit obligation	
Projected benefit obligation at beginning of year	$ 18,954,935
Service cost	469,646
Interest cost	917,260
Actuarial loss	4,194,297
Benefits paid	(1,068,179)
Plan amendments	1,231,455
Projected benefit obligation at end of year	$ 24,699,414
Change in fair value of plan assets	
Fair value of plan assets at beginning of year	$ 17,416,815
Actual return on plan assets	793,431
Benefits paid	(1,068,179)
Plan sponsor contributions	603,657
Fair value of plan assets at end of year	$ 17,745,724
Unfunded status	$ 6,953,690
Accumulated benefit obligation	$ 24,699,414

Cumulative amounts recognized in changes in unrestricted net assets and not yet recognized in net periodic benefit cost as of December 31, 2014 consist of:

Net loss	$ 5,162,435
Unrecognized prior service cost	1,616,138
	$ 6,778,573

Net periodic benefit cost for the Priest Plan includes the following components during 2014:

Service cost	$ 469,646
Interest cost	917,260
Expected return on plan assets	(1,114,430)
Amortization of unrecognized prior service cost	41,437
Net periodic benefit cost	$ 313,913

Amounts recognized in changes in unrestricted net assets for the year ended December 31, 2014 consist of:

Net loss	$ 4,515,296
Prior service cost	1,231,455
Amortization of prior service cost	(41,437)
Pension related-activity other than net periodic benefit cost	$ 5,705,314

The estimated actuarial loss and unrecognized prior service cost that will be amortized into net periodic benefit cost during 2015 is $160,077 and $114,651, respectively.

Assumptions

Weighted-average assumptions used to determine the benefit obligation at December 31, 2014 are as follows:

Discount rate	4.25%
Rate of compensation increase	N/A

Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31, 2014 are as follows:

Discount rate	4.25%
Expected long-term return on plan assets	6.50%
Rate of compensation increase	N/A

Contributions

The Diocese expects to contribute $558,750 to the Priest Plan during 2015.

Estimated Future Benefit Payments

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

Year Ending December 31,	
2015	$ 1,361,782
2016	1,474,193
2017	1,494,588
2018	1,507,750
2019	1,567,924
2020 to 2024	7,772,766

Plan Assets

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 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 this 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 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.

As of December 31, 2014, the Diocese's Priest Plan assets, that are classified as Level 1 within the fair value hierarchy, consist of the following:

Description	Total
Cash equivalents	$ 423,300
Common stocks	9,083,665
Equity mutual funds	1,552,723
Multi-strategy mutual funds	1,190,507
Exchange traded funds	557,486
Bond mutual funds	4,251,058
Closed end funds	522,400
	17,581,139
Cash and accrued dividends	164,585
	$ 17,745,724

The Diocese's pension plan weighted-average asset allocations at December 31, 2014 by asset category follows:

Common stocks	51.00 %
Equity mutual funds	9.00
Multi-strategy mutual funds	7.00
Exchange traded funds	3.00
Bond mutual funds	24.00
Other	6.00
Total	100.00 %

Former Pension Plan for Priests

The Diocese also provides pensions to priests under a plan that was superseded by the Priest Plan who were retired before adoption of the Priest Plan and were not eligible to participate due to their advanced ages when the Priest Plan was adopted. The present value of the estimated obligation to these priests was $213,395 determined using a discount rate of 4.25% at December 31, 2014 and is included in pension and other postretirement benefit obligations in the accompanying combined statement of financial position. Pension payments were approximately $100,000 for the year ended December 31, 2014. The obligation is unfunded. The actuarial gain together with interest on this obligation is recorded as a reduction of other pension expense for priests and totaled $29,622 for the year ended December 31, 2014.

Bridgeport Diocesan Cash Balance Plan

The Bridgeport Diocesan Cash Balance Plan ("BDCBP") is a non-contributory, defined benefit pension plan qualified under IRS regulations. The BDCBP covers lay employees of the Diocese and other Diocesan entities who worked at least 20 hours per week, met eligibility requirements of three years of continuous service and 30 years of age on or after July 3, 2008 and on or before July 31, 2010. Pension benefits are based on individual participant's pension accounts that are credited with an annual contribution at a percentage of the participant's compensation based on years of service as a participant in the plan and with interest credits at the 30-year U.S. Treasury securities rate plus 1%. Effective July 31, 2010, participation in the plan was frozen and no additional benefits will be earned in the plan by participants for services rendered after that date. The plan has not been funded as of December 31, 2014. The plan is expected to be funded, terminated and participants' pension account balances transferred to individual accounts within the Diocesan defined contribution 401(a) thrift plan during 2016 (see Note 13 for further details). The benefit obligation for participants' pension accounts totals $230,888 at December 31, 2014 and is included in pension and other postretirement benefit obligations in the accompanying combined statement of financial position. Net periodic pension expense was $15,031 for the year ended December 31, 2014.

13. DEFINED CONTRIBUTION PLANS

The Diocese maintains a defined contribution 401(a) thrift plan covering all 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 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 $330,000 for the year ended December 31, 2014. This plan was amended as of July 1, 2015 increasing eligibility for hours worked to 30 hours per week and modifying contributions to 3% and 5% after the one year eligibility period.

The Diocese also provides for a non-contributory 403(b) salary reduction plan for all employees who wish to participate. The Diocese does not make employer contributions to the 403(b) plan.

14. POSTRETIREMENT PRIESTS' MEDICAL AND DENTAL PLAN

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

The following table provides a reconciliation of the changes in the priests' postretirement medical and dental funded status to the benefit obligation recorded in the combined statement of financial position at December 31, 2014:

Change in projected benefit obligation		
Accumulated benefit obligation at beginning of year	$	9,369,220
Service cost		274,616
Interest cost		471,658
Actuarial loss		3,530,611
Benefits paid		(336,136)
Accumulated benefit obligation at end of year	$	13,309,969

Cumulative amounts recognized in changes in unrestricted net assets and not yet recognized in net periodic benefit cost as of December 31, 2014 consist of:

Net loss	$	5,431,959
Transition obligation		1,852,500
Prior service cost		339,000
	$	7,623,459

Net periodic benefit cost for the priest postretirement medical and dental plan includes the following components during 2014:

Service cost	$	274,616
Interest cost		471,658
Amortization of actuarial loss		51,795
Amortization of transition obligation		195,000
Amortization of prior service cost		36,000
Net periodic benefit cost	$	1,029,069

Amounts recognized in changes in unrestricted net assets for the year ended December 31, 2014 consist of:

Actuarial loss	$	3,530,611
Amortization of actuarial loss		(51,795)
Amortization of transition obligation		(195,000)
Amortization of prior service cost		(36,000)
Pension related-activity other than net periodic benefit cost	$	3,247,816

The estimated net loss, transition obligation and prior service cost for the Diocese's priests' postretirement medical and dental plan that will be amortized into net periodic benefit cost over the next fiscal year are $214,485, $195,000 and $36,000, respectively.

Assumptions

Weighted-average assumptions used to determine the benefit obligation at December 31, 2014 are as follows:

Discount rate	4.00%
Health-cost trend rate assumed for next year	7.50%
Ultimate health-care cost trend rate	5.00%
Year ultimate health-care cost trend rate is achieved	2019

Weighted-average assumptions used to determine net periodic benefit cost for the year ended December 31, 2014 are as follows:

Discount rate	5.00%
Health-care cost trend rate assumed for next year	7.50%
Ultimate health-care cost trend rate	5.00%

For the year ended December 31, 2014, the effect of a 1% change in the health care cost trend rate is as follows:

	1% Increase	1% Decrease
Effect on net periodic benefit cost	$ 162,459	$ (123,506)
Effect on accumulated benefit obligation	2,643,446	(2,039,170)

Estimated Future Benefit Payments

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

Year Ending December 31,	
2015	$ 407,034
2016	440,254
2017	460,550
2018	478,649
2019	515,515
2020 to 2024	3,027,447

Contributions

Because the priests’ postretirement medical and dental plan is unfunded, the future benefit payments also represent the expected contributions to the plan for that year.

15. CONTINGENCIES

The Diocese is a defendant in various lawsuits relating to claims where plaintiffs are seeking to recover damages, some of which might be covered by insurance. The resolution of these lawsuits is at present uncertain, but the Diocese does not believe the outcomes of which will materially impact its combined financial statements. As of December 31, 2014, the Diocese has recorded certain reserves with respect to such matters.

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 since these are guarantees to entities under common control. At December 31, 2014, the aggregate balances outstanding on these loans, which the Diocese has guaranteed, were approximately $4,200,000.

SUPPLEMENTARY INFORMATION

THE BRIDGEPORT ROMAN CATHOLIC DIOCESAN CORPORATION AND AFFILIATE
Combined Schedule of Functional Expenses
Year ended December 31, 2014

	Offices of the Bishop*	Religious Personnel Services (includes Queen of Clergy)	Catholic Education and Faith Formation	Pastoral and Human Services	Vocations and St John Fisher Seminary	Communications and Social Media	St Catherine Academy	Other Program Support	Total Programs	Employee Benefits and Insurance Programs	Cemeteries Operations	Faith in the Future Fund, Inc.	Teresian Towers and Carmel Ridge Estates	Management and General	Stewardship and Development	Total
Personnel costs - lay	$ 564,218	$ 536,240	$ 692,069	$ 120,139	$ 196,887	$ 263,645	$ 356,016	$ -	$ 2,729,214	$ -	$ 1,589,114	$ -	$ -	$ 2,084,245	$ 592,160	$ 6,994,733
Personnel costs - religious	240,754	473,931	97,015	1,034,550	704,487	-	-	-	2,550,737	-	-	-	-	168,466	-	2,719,203
Total personnel costs	804,972	1,010,171	789,084	1,154,689	901,374	263,645	356,016	-	5,279,951	-	1,589,114	-	-	2,252,711	592,160	9,713,936
Insurance	39,079	135,489	8,838	97,008	28,062	-	4,739	-	313,215	22,069,207	418,413	-	33,235	75,005	-	22,909,075
Grants and contributions	-	-	-	-	-	-	-	2,376,931	2,376,931	-	-	966,608	-	-	-	3,343,539
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	18,310	3,289,025	-	3,307,335
Occupancy	152,391	277,743	59,244	61,949	145,216	2,058	94,937	-	793,538	-	927,918	-	398,183	541,398	2,989	2,664,026
Professional fees	113,701	114,983	108,024	12,793	17,257	146,079	64,196	-	577,033	320,516	9,979	40,679	28,943	638,439	21,745	1,637,334
Office	71,090	22,773	56,648	3,343	14,658	7,085	12,802	-	188,399	-	19,099	-	28,158	88,809	144,590	469,055
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	637,438	-	637,438
Travel and seminars	107,469	247,405	141,314	2,604	95,591	256	-	-	594,639	-	2,928	-	1,250	16,384	14,434	629,635
Printing	28,525	3,017	4,881	8,313	8,595	211,745	-	-	265,076	-	-	-	-	1,120	208,562	474,758
Dues, fees and memberships	25,202	15,862	15,269	7,783	79,809	3,998	2,000	-	149,923	217,850	1,800	-	-	228,630	20,379	618,582
Postage	9,759	4,848	6,230	578	2,847	141,187	-	-	165,449	-	33,392	-	573	37,493	80,191	317,098
Contracted services	-	-	-	-	-	-	-	-	-	-	-	-	424,274	-	-	424,274
Miscellaneous	10,325	20,064	12,757	103,544	4,233	149	79,612	-	230,684	-	55,293	-	134	11,099	2,869	300,079
Total expenses before depreciation, accretion and other	1,362,513	1,852,355	1,202,289	1,452,604	1,297,642	776,202	614,302	2,376,931	10,934,838	22,607,573	3,057,936	1,007,287	933,060	7,817,551	1,087,919	47,446,164
Depreciation and accretion	102,173	136,672	92,248	116,796	100,883	53,034	64,203	140,982	806,991	-	641,892	-	305,540	347,056	64,526	2,166,005
Other	-	-	-	-	-	-	-	-	-	635,002	-	-	-	-	-	635,002
Total expenses	$ 1,464,686	$ 1,989,027	$ 1,294,537	$ 1,569,400	$ 1,398,525	$ 829,236	$ 678,505	$ 2,517,913	$ 11,741,829	$ 23,242,575	$ 3,699,828	$ 1,007,287	$ 1,238,600	$ 8,164,607	$ 1,152,445	$ 50,247,171