

CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

UNITED STATES CONFERENCE OF CATHOLIC BISHOPS

For the years ended December 31, 2009 and 2008

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Administrative Committee of the
United States Conference of Catholic Bishops:

We have audited the accompanying consolidated statements of financial position of the United States Conference of Catholic Bishops (“USCCB”) as of December 31, 2009 and 2008, and the related consolidated statements of activities and cash flows for the years then ended. These financial statements are the responsibility of USCCB’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of USCCB’s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the United States Conference of Catholic Bishops as of December 31, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



New York, New York
November 12, 2010

United States Conference of Catholic Bishops

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As of December 31, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Assets:		
Cash and cash equivalents	\$ 10,407,132	\$ 2,780,918
Short-term investments	6,049,577	5,910,589
Accounts receivable-		
Resettlement and other programs - government agencies	18,842,152	15,985,858
Other, net	1,885,297	2,337,389
Contributions receivable	13,080,876	17,467,907
Inventories, net, prepaid expenses and other assets	1,727,808	3,290,741
Long-term investments	169,414,179	136,188,244
Property and equipment, net	15,737,040	16,827,595
Total assets	<u>\$ 237,144,061</u>	<u>\$ 200,789,241</u>
 <u>LIABILITIES AND NET ASSETS</u> 		
Liabilities:		
Accounts payable and accrued expenses	\$ 19,520,525	\$ 13,401,647
National collections grants payable	25,925,336	30,209,527
Accrued pension liability	30,936,645	33,441,340
Accrued postretirement benefit liability	26,990,749	24,287,799
Total liabilities	<u>103,373,255</u>	<u>101,340,313</u>
Net assets:		
Unrestricted net assets-		
General funds-		
General operating fund	4,519,955	(37,322,800)
Building fund	26,891,106	28,128,510
General reserve fund	5,000,000	5,000,000
Catechism fund	520,895	520,895
Local legislative initiatives fund	155,413	155,413
Quasi-Endowment fund	20,227,608	19,838,094
Current operating fund	(15,750,681)	8,743,192
National collections	63,675,547	61,123,672
Total unrestricted net assets	<u>105,239,843</u>	<u>86,186,976</u>
Temporarily restricted net assets-		
Church in Africa	3,774,159	3,995,711
National collections	21,968,087	8,279,040
Other temporarily restricted net assets	2,788,717	987,201
Total temporarily restricted net assets	<u>28,530,963</u>	<u>13,261,952</u>
Total net assets	<u>133,770,806</u>	<u>99,448,928</u>
Total liabilities and net assets	<u>\$ 237,144,061</u>	<u>\$ 200,789,241</u>

The accompanying notes are an integral part of these consolidated statements.

United States Conference of Catholic Bishops

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenues, gains and other support:			
Contributions			
Diocesan assessments	\$ 10,044,527	\$ -	\$ 10,044,527
National collections	-	55,871,587	55,871,587
Grants, bequests and other	1,067,006	1,775,562	2,842,568
Government contracts and grants revenue	58,327,207	-	58,327,207
Income on investments	3,202,449	-	3,202,449
Sale of publications	7,265,759	-	7,265,759
Royalty income	2,013,771	-	2,013,771
Collection fees on refugee loans	2,204,487	-	2,204,487
Contributed services	573,902	-	573,902
Other	2,901,068	-	2,901,068
	<u>87,600,176</u>	<u>57,647,149</u>	<u>145,247,325</u>
Net assets released from restrictions	42,378,138	(42,378,138)	-
Total operating revenues, gains and other support	<u>129,978,314</u>	<u>15,269,011</u>	<u>145,247,325</u>
Operating expenses:			
Program services-			
Grants and donations	42,372,719	-	42,372,719
Sub-recipient government contract expenses	48,239,132	-	48,239,132
Pastoral activities	7,212,892	-	7,212,892
Policy activities	26,662,111	-	26,662,111
National collections	3,601,023	-	3,601,023
Total program expenses	<u>128,087,877</u>	<u>-</u>	<u>128,087,877</u>
Supporting services-			
Management and general	14,916,925	-	14,916,925
Total supporting services expenses	<u>14,916,925</u>	<u>-</u>	<u>14,916,925</u>
Total operating expenses	<u>143,004,802</u>	<u>-</u>	<u>143,004,802</u>
(Decrease) increase in net assets from operations	<u>(13,026,488)</u>	<u>15,269,011</u>	<u>2,242,523</u>
Non-operating activities:			
Unrealized appreciation on investments	29,456,559	-	29,456,559
Pension related expenses other than net periodic pension cost	2,622,796	-	2,622,796
Total non-operating activities	<u>32,079,355</u>	<u>-</u>	<u>32,079,355</u>
Change in net assets	19,052,867	15,269,011	34,321,878
Net assets, beginning of year	<u>86,186,976</u>	<u>13,261,952</u>	<u>99,448,928</u>
Net assets, end of year	<u>\$ 105,239,843</u>	<u>\$ 28,530,963</u>	<u>\$ 133,770,806</u>

The accompanying notes are an integral part of this consolidated statement.

United States Conference of Catholic Bishops

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2008

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Operating revenues, gains and other support:			
Contributions:			
Diocesan assessments	\$ 10,044,527	\$ -	\$ 10,044,527
National collections	-	59,626,661	59,626,661
Grants, bequests and other	24,485	2,846,266	2,870,751
Government contracts and grants revenue	51,425,914	-	51,425,914
Income on investments	3,861,401	-	3,861,401
Sale of publications	8,989,741	-	8,989,741
Royalty income	2,236,762	-	2,236,762
Collection fees on refugee loans	1,704,108	-	1,704,108
Contributed services	636,602	-	636,602
Other	5,008,408	-	5,008,408
	<u>83,931,948</u>	<u>62,472,927</u>	<u>146,404,875</u>
Net assets released from restrictions	<u>70,286,780</u>	<u>(70,286,780)</u>	<u>-</u>
Total operating revenues, gains and other support	<u>154,218,728</u>	<u>(7,813,853)</u>	<u>146,404,875</u>
Operating expenses:			
Program services-			
Grants and donations	66,449,644	-	66,449,644
Sub-recipient government contract expenses	43,315,935	-	43,315,935
Pastoral activities	7,182,455	-	7,182,455
Policy activities	25,270,631	-	25,270,631
National collections	4,500,872	-	4,500,872
Total program expenses	<u>146,719,537</u>	<u>-</u>	<u>146,719,537</u>
Supporting services-			
Management and general	13,565,966	-	13,565,966
Total supporting services expenses	<u>13,565,966</u>	<u>-</u>	<u>13,565,966</u>
Total operating expenses	<u>160,285,503</u>	<u>-</u>	<u>160,285,503</u>
Decrease in net assets from operations	<u>(6,066,775)</u>	<u>(7,813,853)</u>	<u>(13,880,628)</u>
Non-operating activities:			
Unrealized depreciation on investments	(50,406,588)	-	(50,406,588)
Pension related expenses other than net periodic pension cost	(20,299,265)	-	(20,299,265)
Total non-operating activities	<u>(70,705,853)</u>	<u>-</u>	<u>(70,705,853)</u>
Change in net assets	<u>(76,772,628)</u>	<u>(7,813,853)</u>	<u>(84,586,481)</u>
Net assets, beginning of year	<u>162,959,604</u>	<u>21,075,805</u>	<u>184,035,409</u>
Net assets, end of year	<u>\$ 86,186,976</u>	<u>\$ 13,261,952</u>	<u>\$ 99,448,928</u>

The accompanying notes are an integral part of this consolidated statement.

United States Conference of Catholic Bishops

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 34,321,878	\$ (84,586,481)
Adjustments to reconcile change in net assets to net cash flows provided by (used in) operating activities:		
Allowance for doubtful accounts and obsolescence	(23,748)	(42,000)
Depreciation expense	1,090,555	1,196,762
Net realized and unrealized (appreciation) depreciation on long-term investments	(28,111,435)	51,796,112
Changes in operating assets and liabilities-		
(Increase) decrease in accounts receivable-		
Resettlement and other programs - government agencies	(2,856,294)	(11,862,766)
Advances to sub-recipients for resettlement and other programs	-	1,253,058
Other	452,092	882,030
Decrease (increase) in contributions receivable	4,410,779	(1,424,806)
Decrease (increase) in inventories, prepaid expenses and other assets	1,562,933	(1,988,512)
Increase (decrease) in accounts payable and accrued expenses	6,118,878	(358,367)
(Decrease) increase in national collections grants payable	(4,284,191)	12,044,849
(Decrease) increase in accrued pension liability	(2,504,695)	19,001,719
Increase in accrued postretirement benefit liability	2,702,950	2,562,934
Net cash provided by (used in) operating activities	<u>12,879,702</u>	<u>(11,525,468)</u>
Cash flows from investing activities:		
Purchases of property and equipment	-	(479,297)
Sales of investments	114,577,852	144,801,219
Purchases of investments	(119,831,340)	(140,895,627)
Net cash (used in) provided by investing activities	<u>(5,253,488)</u>	<u>3,426,295</u>
Increase (decrease) in cash and cash equivalents	7,626,214	(8,099,173)
Cash and cash equivalents, beginning of year	<u>2,780,918</u>	<u>10,880,091</u>
Cash and cash equivalents, end of year	<u>\$ 10,407,132</u>	<u>\$ 2,780,918</u>

The accompanying notes are an integral part of these consolidated statements.

United States Conference of Catholic Bishops

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - ORGANIZATION

The United States Conference of Catholic Bishops (“USCCB”) is a permanent institute composed of the Catholic Bishops of the United States of America in and through which the bishops exercise in a communal or collegial manner the pastoral mission entrusted to them by the Lord Jesus of sanctification, teaching and leadership, especially by devising forms and methods of apostolate suitably adapted to the circumstances of the times. Such exercise is intended to offer appropriate assistance to each bishop in fulfilling his particular ministry in the local church, to effect a commonality of ministry addressed to the people of the United States of America, and to foster and express communion with the Church in other nations within the Church universal, under the leadership of its chief pastor, the Pope.

The accompanying consolidated financial statements include the accounts of the General Funds, the Current Operating Fund, which includes the various committees and activities of USCCB, USCCB national collection, the Confraternity of Christian Doctrine, Inc. (“CCD”), and St. John’s Hall (“Staff House”). CCD is a District of Columbia nonprofit corporation created in 1939, whose current activity is to hold the copyrights on the New American Bible. All intercompany accounts and transactions have been eliminated in the accompanying consolidated financial statements.

The General Fund is comprised of five funds: General Operating, Building, General Reserve, Catechism, and Quasi-Endowment. The General Operating Fund derives revenue from diocesan assessments, investment income and other designated sources. This revenue is used primarily to finance the current operations of USCCB. The Building Fund includes the land, buildings, furniture and equipment of USCCB offices, the Saint John’s Hall staff house facilities located in Washington D.C., and improvements to the Villa Stritch staff house facilities in Rome. The General Reserve Fund was designated in 1993 for sudden, unusual, ad hoc and/or short term projects. The Catechism Fund was established in 1995 to account for operations related to the publishing, sale, promotion and distribution of the United States release of the *Catechism of the Catholic Church*. The Quasi-Endowment Fund was established in 1997 to help offset future increases in the diocesan assessments by applying an annual spending rate to use for current operations.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE A (continued)

The Current Operating Fund represents the accumulated operations of USCCB's activities, after transfers from the General Operating Fund. The principal activities included in the Current Operating Fund are:

Pastoral activities:

- Cultural Diversity
- Child and Youth Protection
- Clergy, Consecrated Life & Vocations
- Doctrine
- Ecumenical and Interreligious Affairs
- Evangelization and Catechesis
- Laity, Marriage, Family Life and Youth
- Divine Worship

Management and general activities:

- Finance & Accounting
- General Counsel
- General Secretariat
- General Services
- Human Resources
- Information Technology

Policy activities:

- Communication Department, including:
 - Media Relations
 - Digital Media
 - Office for Film and Broadcasting
 - Publishing
 - Catholic News Service ("CNS")
- Catholic Education
- Government Relations
- Migration and Refugee Services ("MRS")
- Pro-Life Activities
- Human Development, Justice and Peace ("HDJP")

USCCB national collections are summarized as follows:

The Catholic Relief Services Collection ("CRSC", formerly ABOA and also known as the "Laetare Sunday" collection) is an annual appeal, which provides funding for CRS and other identifiable overseas aid programs such as the relief works of the Holy Father, MRS, HDJP, and the Catholic Legal Immigration Network, Inc. ("CLINIC"). Application of this revenue is recorded as grants and donations expense if used to finance related and other organizations and recorded as national collections expenses if used to finance costs associated with national collections activities.

Catholic Campaign for Human Development ("CCHD") is the domestic anti-poverty social justice program of USCCB. Its mission is to address the root causes of poverty in the United States through promotion and support of community-controlled self-help organizations, and through transformative education. CCHD receives contributions from dioceses of 75% of a national collection. The remaining 25% of the collection is retained by the dioceses for use in local human development programs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE A (continued)

Collection for the Church in Latin America (“CLA”) gives assistance to the Catholic Church within countries of Latin America and the Caribbean.

Catholic Communication Campaign (“CCC”) contributes to the process of evangelization by fostering activities related to television, radio, print, internet, and other media. 50% of what is collected locally is used for priority projects of the bishops for national distribution, following recommendations by the USCCB Communications Committee. The remaining 50% portion of the collection is retained by dioceses for use in local communications projects.

Catholic Home Missions Appeal (“CHMA”) gives financial support to missionary activities that strengthen and extend the presence of the Church in the United States and its dependencies.

Aid to the Church in Central and Eastern Europe and the Former Soviet Union (“AEE”) helps restore pastoral capacity in that area.

Separate financial records are maintained by other activities not directly under the control of USCCB, but related to the mission of the Catholic Church. The following activities are excluded from the accompanying financial statements and are audited separately:

- National Religious Retirement Office (“NRRO”)
- Catholic Legal Immigration Network, Inc. (“CLINIC”)
- Catholic Relief Services, Inc. (“CRS”)
- Basilica of the Shrine of the Immaculate Conception
- Commission on Certification and Accreditation

USCCB is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code (the “Code”) as an organization described in Section 501(c)(3). USCCB is also exempt from tax in the District of Columbia under the applicable statute. Though exempt from income taxes, USCCB is subject to tax on any income that is unrelated to its exempt purposes that are not specifically excluded from such tax as set forth in the Code. However, USCCB has no material activities that would cause imposition of the unrelated business income tax.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

USCCB's net assets and related revenues, gains and other support are classified based upon the existence or absence of donor-imposed stipulations, as follows:

Unrestricted Net Assets

Includes all resources of USCCB that are expendable for carrying on USCCB's mission.

Temporarily Restricted Net Assets

Net assets whose use by USCCB is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of USCCB pursuant to those stipulations.

Permanently Restricted Net Assets

Net assets whose use by USCCB is limited by donor-imposed stipulations requiring such resources to be maintained in perpetuity and the income therefrom utilized for operating or other donor-restricted purposes.

As of December 31, 2009 and 2008, USCCB did not have any permanently restricted net assets. All inter-fund transactions and balances have been eliminated in the accompanying consolidated financial statements.

2. Cash and Cash Equivalents

USCCB considers all highly liquid financial instruments having an original maturity of three months or less to be cash equivalents.

3. Short-Term and Long-Term Investments

USCCB's pooled investments include those of CRSC, CCHD, CLA, CCC, CHM, AEE, and NRRO and consist of both short-term and long-term investments. The pooled investments are managed by independent investment managers, and the securities are held by bank custodians. Selected investment portfolios also include assets of CRS and CLINIC, however, proportional ownership of those portfolios is separately reported by the custodian bank and amounts owned by CRS and CLINIC are

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B (continued)

not reported in the accompanying consolidated financial statements. The pooled investment fund is comprised of domestic and foreign equity and fixed income securities, fund of funds, mortgage and asset-backed securities and U.S. government and agency securities. Investment income, including realized gains (losses) is included in operating revenues, gains and other support, while net unrealized appreciation (depreciation) is reported as non-operating activity in the accompanying consolidated statements of activities.

Short-term investments, at fair value, consist of government and corporate obligations with original maturities of one year or less as of December 31, 2009 and 2008. Long-term marketable equity securities and debt securities included in the pooled investments are carried at fair value as determined by quoted market sources.

4. Contributions

Diocesan assessments represent the current year's assessment to each diocese. National collections represent USCCB's share of the proceeds of the current year's collections. Grants and contributions received, including national collections, which are restricted by the donor for a specific purpose, are recorded as temporarily restricted in accordance with the donors' intent and are released to unrestricted net assets upon expenditure of the funds. Unrestricted grants, bequests and other contributions are recorded as income when an unconditional promise to give is received.

5. Inventories

Inventories are valued at the lower of cost or market with cost being determined on the average cost basis. At December 31, 2009 and 2008, inventories are comprised primarily of publications for sale and are reflected in the accompanying consolidated statements of financial position net of an allowance for obsolete inventory of \$89,000 and \$96,000, respectively.

6. Property and Equipment, net

The properties owned by USCCB are its headquarters building and staff house facilities in Washington, D.C. and the Villa Stritch in Rome, Italy, which is used by American priests serving at the Vatican. Property and equipment, net, are stated at cost at date of acquisition or fair value at date of contribution, if donated. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets. Assets are depreciated over the following useful lives:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B (continued)

Buildings	40 years
Building improvements	10 years
Furniture and equipment	3-10 years

7. *Long-Lived Assets*

USCCB reviews long-lived assets for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Some factors USCCB considers important, which could trigger an impairment review, include: (i) significant underperformance compared to expected historical or projected future operating results; (ii) significant changes in USCCB's use of the acquired assets or the strategy for its overall operations; and (iii) significant negative industry or economic trends.

8. *Revenues*

Revenues from government contracts and grants are recognized in the period when expenditures have been incurred or services have been performed in compliance with the respective contracts. Contracts awarded for the acquisition of long-lived assets are reported as deferred revenue until the assets are acquired, at which time the award is recorded as unrestricted revenue. Revenues from the sale of publications are recognized when the merchandise is shipped and title is transferred to an unrelated third party. Royalty income is recognized as earned.

Contract revenues are subject to examination and contractual adjustment, and amounts realizable may change due to periodic changes in the regulatory environment. It is management's opinion that any potential disallowances will not have a material effect on the accompanying consolidated financial statements.

9. *Resettlement Programs*

Reimbursements from government grants for USCCB administrative costs and program services provided by MRS are included in the accompanying consolidated statements of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B (continued)

10. Allowance for Uncollectible Accounts

Grants and contracts receivable and contributions receivable outstanding longer than the payment terms are considered past due. Accounts receivable, net of an allowance for doubtful accounts, not expected to be collected within one year of the statement of financial position date, are recorded at net present value. USCCB determines its allowance by considering a number of factors, including the length of time receivables are past due, USCCB's previous loss history, the donor's current ability to pay its obligation, and the condition of the general economy and the not-for-profit sector as a whole. At December 31, 2009 and 2008, other receivables are reflected in the accompanying consolidated statements of financial position net of an allowance for doubtful accounts of \$28,252 and \$45,000, respectively. Management has determined that no reserves are necessary at December 31, 2009 and 2008 relating to contributions receivable and government agencies receivable.

11. Grants and Donations Awarded

Unconditional grants are recorded when approved. Conditional grants are recorded when conditions are substantially met and the expenditures are approved.

12. Concentration of Credit Risk

Cash and investments are exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, USCCB maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits, and in a diversified investment portfolio. At December 31, 2009 and 2008, USCCB's cash and investments were placed with high credit quality financial institutions and, accordingly, USCCB does not expect nonperformance.

13. Fair Value of Financial Instruments

The carrying amounts of cash, receivables, inventories, prepaid expenses, other assets, accounts payable, and other liabilities approximate fair value due to the short-term maturity of these financial instruments.

14. Contributed Services

Contributed services revenue is recognized for staff positions filled by diocesan priests. The value of the contributed services is the difference between the amounts paid to or on behalf of the diocesan priests and the compensation that would be paid to lay persons for comparable positions and is recognized in operating revenues and expenses in the accompanying consolidated statements of activities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B (continued)

15. Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

16. Income Taxes

The income taxes topic number 740, "Income Taxes," of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification (the "Codification") establishes criterion that an individual tax position has to meet for some or all the benefits of that position to be recognized in an entity's financial statements. On initial application, this criterion is applied to all tax positions for which the statute of limitations remains open. Only tax positions that meet the "more-likely-than-not" recognition threshold at the adoption date are recognized or continue to be recognized. USCCB adopted this new standard on January 1, 2009. This new standard did not have a material impact on USCCB's consolidated financial statements. USCCB 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.

NOTE C - MIGRATION AND REFUGEE SERVICES AND PROGRAMS

Since 1975, USCCB, directly and through its affiliation with the International Catholic Migration Commission in Geneva, Switzerland, has entered into various agreements with the United States Government to assist in the resettlement of refugees immigrating to the United States and to provide specialized services to particularly vulnerable migrants, such as unaccompanied minors and victims of human trafficking. The resettlement activities are financed by government agencies, principally the U.S. Department of Health and Human Services and the U.S. Department of State under the authority of the Immigration and Nationality Act, as amended. Government funds received must generally be spent for the designated contractual purposes no later than three months following the end of the contract period. Unless an extension is approved by the government agencies, the funds are subject to reversion after the three-month period. However, for the majority of programs, funds are drawn down after expenditures have been incurred, thereby limiting exposure to the reversion requirements.

United States Conference of Catholic Bishops

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE C (continued)

USCCB was reimbursed \$8,668,200 and \$7,775,416 for administrative costs and program services provided for resettlement activities for the years ended December 31, 2009 and 2008, respectively.

NOTE D - PROPERTY AND EQUIPMENT, NET

At December 31, 2009 and 2008, property and equipment, net, consisted of the following:

	<u>2009</u>	<u>2008</u>
Land	\$ 1,448,535	\$ 1,448,535
Buildings and improvements	29,849,467	29,849,467
Furniture and equipment	<u>7,713,867</u>	<u>7,714,868</u>
Total property and equipment	39,011,869	39,012,870
Less: Accumulated depreciation and amortization	<u>(23,274,829)</u>	<u>(22,185,275)</u>
Total property and equipment, net	<u>\$ 15,737,040</u>	<u>\$ 16,827,595</u>

NOTE E - NATIONAL COLLECTIONS NET ASSETS

At December 31, 2009 and 2008, unrestricted and temporarily restricted net assets for USCCB national collections were as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
CRSC	\$ 6,019,596	\$ 2,878,970	\$ 5,642,735	\$ -
CCHD	32,574,631	6,579,312	31,255,349	1,204,097
CLA	8,704,260	413,603	8,514,447	-
CCC	8,358,768	2,995,646	8,204,765	-
CHM	3,584,069	2,941,209	3,430,290	1,573,444
Church in Africa	326,967	3,774,159	175,927	3,995,711
AEE	<u>4,107,256</u>	<u>6,159,347</u>	<u>3,900,159</u>	<u>5,501,499</u>
	<u>\$ 63,675,547</u>	<u>\$ 25,742,246</u>	<u>\$ 61,123,672</u>	<u>\$ 12,274,751</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE F - LONG-TERM INVESTMENTS

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. As required by U.S. Generally Accepted Accounting Principles for fair value measurement, USCCB uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

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

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

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

Level 3 - Pricing inputs are unobservable for the assets or liabilities and include situations where there is little, if any, market activity for the assets or liabilities. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Short-term investments are classified as level one within the fair value hierarchy.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE F (continued)

At December 31, 2009, the following table summarizes investments within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 3,879,259	\$ -	\$ -	\$ 3,879,259
U.S. Government and agency securities	6,138,751	-	-	6,138,751
Corporate bonds	-	10,819,335	-	10,819,335
Equity securities	98,403,212	-	-	98,403,212
Foreign equities	1,383,649	-	-	1,383,649
Fund of funds*	-	58,633,903	-	58,633,903
Mortgage-backed securities	-	17,134,047	-	17,134,047
Asset-backed securities	-	2,874,078	-	2,874,078
Municipal bonds	-	383,250	-	383,250
Receivables for securities sold	203,248	-	-	203,248
Liabilities for securities purchased	<u>(2,440,899)</u>	<u>-</u>	<u>-</u>	<u>(2,440,899)</u>
Total investments	<u>\$ 107,567,220</u>	<u>\$ 89,844,613</u>	<u>\$ -</u>	<u>197,411,833</u>
Less: NRRO				<u>(27,997,654)</u>
Total long-term investments				<u>\$ 169,414,179</u>

* USCCB's fund of funds are invested in U.S. and foreign equity securities, U.S. government and agency common trust funds, mortgage and asset-backed securities and corporate debt.

At December 31, 2008, the following table summarizes investments within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 2,411,665	\$ -	\$ -	\$ 2,411,665
U.S. Government and agency securities	3,335,017	-	-	3,335,017
Corporate bonds	-	9,071,919	-	9,071,919
Equity securities	74,560,670	-	-	74,560,670
Foreign equities	1,320,609	-	-	1,320,609
Fund of funds*	-	49,871,414	-	49,871,414
Mortgage-backed securities	-	22,641,674	-	22,641,674
Asset-backed securities	-	1,439,494	-	1,439,494
Receivables for securities sold	1,800,093	-	-	1,800,093
Liabilities for securities purchased	<u>(7,344,218)</u>	<u>-</u>	<u>-</u>	<u>(7,344,218)</u>
Total investments	<u>\$ 76,083,836</u>	<u>\$ 83,024,501</u>	<u>\$ -</u>	<u>159,108,337</u>
Less: NRRO				<u>(22,920,093)</u>
Total long-term investments				<u>\$ 136,188,244</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE F (continued)

Investments include cash and cash equivalents held by long-term investment managers for reinvestment.

USCCB used the Net Asset Value (“NAV”) or its equivalent to determine the fair value of all the underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. Investments valued at NAV or its equivalent as of December 31, 2009, consisted of the following:

Investment	Investment Objective	NAV in funds	Redemption restrictions/ Liquidity provisions
SSGA MSCI EAFE Screened Index Non-Lending	Approximate the MSCI EAFE Index	\$ 13,548,691	Redemptions permitted at least twice a month
SSGA Intermediate U.S. Government Bond Index Non-Lending QP Common Trust Fund	Approximate the performance of Barclays Capital U.S. Intermediate Government Bond Index	\$ 9,444,260	Redemptions permitted daily
SSGA Long U.S. Government Bond Index Non-Lending QP Common Trust Fund	Approximate the performance of Barclays Capital U.S. Long Government Bond Index	\$ 1,270,004	Redemptions permitted daily
SSGA U.S. Mortgage Backed Index Securities Lending QP Common Trust Fund and SSGA U.S. Mortgage Backed Index Non-Lending QP Common Trust Fund	Approximate the performance of Barclays Capital U.S. MBS Index	\$ 10,763,031	Redemptions permitted daily
Catholic United Investment Trust	Invest in equity securities of well-established companies based primarily in countries included in Morgan Stanley Capital International Europe, Australia, the Far East Index and Canada	\$ 15,815,971	Redemptions permitted daily/7 days prior notice
SSGA Socially Responsible Passive Credit Index Common Trust Fund	Approximate the performance of Barclays Capital U.S. Credit Bond Index	\$ 6,753,871	Redemptions permitted daily
SSGA Asset Backed/Commercial Mortgage Backed Index Common Trust Fund	Approximate the performance of Barclays Capital U.S. ABS Index/ Barclays Capital U.S. CMBS Index	\$ 1,038,075	Redemptions permitted daily

The above funds have no unfunded commitments as of December 31, 2009.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE G - INVESTMENT INCOME AND UNREALIZED APPRECIATION/DEPRECIATION

For the years ended December 31, 2009 and 2008, investment income consisted of the following:

	<u>2009</u>	<u>2008</u>
Long-term investments:		
Interest	\$ 1,810,360	\$ 2,114,608
Dividends	3,330,391	4,050,092
Realized losses	<u>(1,345,124)</u>	<u>(1,389,524)</u>
Return on long-term investments	3,795,627	4,775,176
Interest on short-term investments	<u>29,403</u>	<u>420,192</u>
Total return on investments	3,825,030	5,195,368
Less:		
Investment management fees	(93,442)	(695,950)
NRRO	<u>(529,139)</u>	<u>(638,017)</u>
USCCB's share of investment income	<u>\$ 3,202,449</u>	<u>\$ 3,861,401</u>

For the years ended December 31, 2009 and 2008, unrealized appreciation (depreciation) consisted of the following:

	<u>2009</u>	<u>2008</u>
Unrealized appreciation (depreciation)	\$ 34,324,597	\$ (58,737,261)
Less: NRRO	<u>(4,868,038)</u>	<u>8,330,673</u>
USCCB's share of unrealized appreciation (depreciation)	<u>\$ 29,456,559</u>	<u>\$ (50,406,588)</u>

NOTE H - ENDOWMENTS

In August 2008, the FASB issued new accounting guidance related to the disclosure of endowment funds which addressed the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). A key component of this guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. In addition, the FASB issued guidance requiring new disclosures about an organization's donor-restricted and board-designated endowment funds. During fiscal 2008, the District of Columbia enacted UPMIFA into law. Management of USCCB has interpreted the District of Columbia law as requiring the preservation of the fair value of the original gift, as of the gift date, of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As of December 31, 2009 and 2008, USCCB did not have any permanently restricted net assets and therefore was not subject to the accounting requirements, however, USCCB adopted the disclosure requirements as of January 1, 2008, as required.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE H (continued)

The following illustrates the changes in board-designated Quasi-Endowment fund net assets for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Board-designated Quasi-Endowment funds, beginning of year	\$ 19,838,094	\$ 19,378,816
Investment return - Investment income	<u>389,514</u>	<u>459,278</u>
Board-designated Quasi-Endowment funds, end of year	<u>\$ 20,227,608</u>	<u>\$ 19,838,094</u>

USCCB's policy is that realized and unrealized appreciation (depreciation) is not allocated to the Quasi-Endowment fund.

NOTE I - RETIREMENT BENEFITS

Substantially all of the employees of USCCB participate in a non-contributory, defined benefit retirement plan. The plan also covers some employees of the National Council of Catholic Women and the CLINIC. Benefits under the plan are based on years of service and final average pay.

The actuarial valuations of this retirement plan for 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 67,081,490	\$ 61,238,746
Service cost	1,597,961	1,609,935
Interest cost	4,013,491	3,866,196
Actuarial loss (gain)	2,681,295	3,459,737
Benefits paid	<u>(3,186,530)</u>	<u>(3,093,124)</u>
Benefit obligations, end of year	<u>72,187,707</u>	<u>67,081,490</u>
Accumulated benefit obligation	<u>\$ 66,297,583</u>	<u>\$ 61,463,869</u>
Change in plan assets		
Fair value of plan assets, beginning of year	\$ 33,640,150	\$ 46,799,125
Actual return on plan assets	7,830,036	(11,623,103)
Employer contributions	2,967,406	1,557,252
Benefits paid	<u>(3,186,530)</u>	<u>(3,093,124)</u>
Fair value of plan assets, end of year	<u>41,251,062</u>	<u>33,640,150</u>

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE I (continued)

	<u>2009</u>	<u>2008</u>
Funded status	<u>\$ (30,936,645)</u>	<u>\$ (33,441,340)</u>
Amounts recognized in unrestricted net assets:		
Net actuarial loss	<u>\$ 19,360,933</u>	<u>\$ 23,660,957</u>
Net periodic benefit cost:		
Service cost	\$ 1,597,961	\$ 1,609,935
Interest cost	4,013,491	3,866,196
Expected return on plan assets	(2,705,681)	(3,675,798)
Amortization of net actuarial loss	<u>1,856,964</u>	<u>-</u>
Net periodic benefit cost	<u>\$ 4,762,735</u>	<u>\$ 1,800,333</u>

The following assumptions were used in calculating the amount shown above:

	<u>Net Periodic Benefit Cost</u>	<u>Benefit Obligations</u>
Discount rate	6.16%	5.81%
Salary increase	4.25%	4.25%
Expected return on plan assets	8.00%	8.00%

The estimated net actuarial loss for the defined benefit pension plans that will be amortized from the unrestricted net assets into net periodic benefit cost over the next year is \$1,349,129. There is no prior service cost that will be amortized next year.

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

2010	\$ 3,503,917
2011	3,688,078
2012	3,940,334
2013	4,257,267
2014	4,415,988
2015 – 2019	26,034,741

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE I (continued)

Plan Assets

The assets of the plan are invested primarily in a diversified mix of domestic and foreign equities and fixed income securities. The assets are managed by independent investment managers in accordance with stated investment policies and subject to USCCB's socially responsible investment guidelines. The investment objective of the pension fund is to equal or exceed a benchmark rate of return comprised of appropriate market indices and to achieve an above-median ranking in a universe of balanced funds with similar investment policies over reasonable measurement periods.

At December 31, 2009, the following table summarizes the plan assets within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 1,436,269	\$ -	\$ -	\$ 1,436,269
U.S. Government and agency securities	256,624	-	-	256,624
Corporate bonds	-	1,218,233	-	1,218,233
Equity securities	22,107,814	-	-	22,107,814
Foreign equities	110,040	-	-	110,040
Fund of funds	-	13,440,024	-	13,440,024
Mortgage-backed securities	-	2,278,736	-	2,278,736
Asset-backed securities	-	444,363	-	444,363
Receivables for securities sold	108,384	-	-	108,384
Liabilities for securities purchased	(149,425)	-	-	(149,425)
Total investments	<u>\$ 23,869,706</u>	<u>\$ 17,381,356</u>	<u>\$ -</u>	<u>\$ 41,251,062</u>

The actual asset allocations for 2008 and target allocation ranges by asset category for 2008 and 2009 for the pension plan assets were as follows:

	2008	Levels	Target Allocation Range
Cash and cash equivalents	2%	1	< 5%
U.S. equity securities	48%	1	51-59%
Fund of funds	14%	2	8-12%
Fixed income securities	36%	2	31-39%

The expected long-term rate of return assumption of 8% is selected by management as a reasonable expectation based on historical performance of both the pension fund and the investment markets in general. The selection of this rate is periodically revisited by USCCB as the administrator of the pension plan.

United States Conference of Catholic Bishops

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE J - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

In addition to providing pension benefits, USCCB provides health care and life insurance benefits to retired employees who have attained certain age and service requirements or age 65. Subsequent to attaining age 65, health care benefits to retired employees are non-contributory and are integrated with Medicare according to the Coordination of Benefits method. The life insurance benefit consists of a \$5,000 level death benefit and is non-contributory. USCCB funds these postretirement benefits on a pay-as-you-go basis.

	<u>2009</u>	<u>2008</u>
Change in benefit obligation		
Benefit obligation, beginning of year	\$ 24,287,799	\$ 21,724,866
Service cost	647,093	624,579
Interest cost	1,473,782	1,474,184
Change in assumptions	1,159,627	2,880,237
Medicare Part D benefit subsidy	97,414	31,991
Actuarial loss (gain)	326,582	(1,568,764)
Benefits paid	<u>(1,001,548)</u>	<u>(879,294)</u>
Benefit obligations, end of year	<u>26,990,749</u>	<u>24,287,799</u>
 Net periodic benefit cost:		
Service cost	\$ 647,093	\$ 624,579
Interest cost	1,473,782	1,474,184
Amortization of prior service cost	(688,594)	(688,594)
Amortization of net actuarial loss	<u>497,575</u>	<u>529,440</u>
Net periodic benefit cost	<u>\$ 1,929,856</u>	<u>\$ 1,939,609</u>

Funded Status and Accrued Liability

At December 31, 2009 and 2008, the following information sets forth the status of the health care and life insurance benefits:

	<u>2009</u>	<u>2008</u>
Accumulated benefit obligation	\$ 26,990,749	\$ 24,287,799
Fair value of plan assets	<u>-</u>	<u>-</u>
Funded status – underfunded	<u>\$ (26,990,749)</u>	<u>\$ (24,287,799)</u>

United States Conference of Catholic Bishops

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE J (continued)

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

Postretirement benefit liability	<u>\$ 26,990,749</u>	<u>\$ 24,287,799</u>
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Actuarial Assumptions

The following assumptions were used in calculating the amounts shown above:

	<u>Net Periodic Benefit Cost</u>	<u>Benefit Obligations</u>
Discount rate	6.16%	5.81%
Rate of compensation increase	N/A	N/A
Expected return on plan assets	N/A	N/A
Health care cost trend rate - pre-65 claims	9.00%	9.00%
Health care cost trend rate - post-65 claims	8.00%	8.00%
Ultimate trend rate	5.00%	5.00%
Year ultimate trend rate is reached	2018/2016	2018/2016

The assumed health care cost trend rates have a significant effect on the amounts reported for health-related postretirement benefits. A one-percentage-point increase in the assumed health care cost trend rate would increase the 2009 postretirement benefit cost by approximately \$340,000 and increase the accumulated postretirement benefit obligation by approximately \$3,900,000. A one-percentage-point decrease in the assumed health care cost trend rate would decrease the 2009 postretirement benefit cost by approximately \$280,000, and decrease the accumulated postretirement benefit obligation by approximately \$3,200,000.

Contributions and Benefit Payments

USCCB funds these postretirement benefits on a pay-as-you-go basis. Therefore, employer contributions are equal to benefits paid in each year. For the years ended December 31, 2009 and 2008, the following benefits were paid from plan assets:

	<u>2009</u>	<u>2008</u>
Benefits paid	\$ 1,001,548	\$ 879,294
Employer contribution	\$ 904,134	\$ 847,303
Medicare Part D benefit subsidy	\$ 97,414	\$ 31,991

United States Conference of Catholic Bishops

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE J (continued)

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

	Net Benefit Payments	Gross Benefit Payments	Medicare Subsidy Receipts
	<u> </u>	<u> </u>	<u> </u>
2010	\$ 1,287,932	\$ 1,385,667	\$ (97,735)
2011	1,317,169	1,425,592	(108,423)
2012	1,396,260	1,514,038	(117,778)
2013	1,487,114	1,618,396	(131,282)
2014	1,582,808	1,723,528	(140,720)
2015-2019	<u>9,149,148</u>	<u>10,010,688</u>	<u>(861,540)</u>
Total	<u>\$ 16,220,431</u>	<u>\$ 17,677,909</u>	<u>\$ (1,457,478)</u>

NOTE K - LEGAL

USCCB has been named in several lawsuits in the normal course of business. In the opinion of management, these claims are not expected to have a material adverse effect on USCCB's consolidated financial position, changes in net assets or cash flows.

NOTE L - COMMITMENTS

USCCB leases certain office space and office equipment under various operating lease arrangements with terms in excess of one year. Future minimum lease payments as of December 31, 2009, under scheduled operating leases that have initial or remaining terms in excess of one year, are as follows:

2010	\$ 279,277
2011	165,608
2012	<u>26,949</u>
Total	<u>\$ 471,834</u>

For the years ended December 31, 2009 and 2008, rent expense under operating leases was \$356,652 and \$385,242, respectively and was included in operating expenses in the accompanying consolidated statements of activities.

United States Conference of Catholic Bishops

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE L (continued)

As of December 31, 2009, USCCB has entered into several multi-year employment contracts which extend through 2012, with total payments aggregating approximately \$1,069,000.

NOTE M – SUBSEQUENT EVENTS

USCCB evaluated its December 31, 2009 consolidated financial statements for subsequent events through November 12, 2010, the date the consolidated financial statements were available to be issued. USCCB is not aware of any material subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.