

# ***PERSONALLY SPEAKING***

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## **WHAT WOULD FRANCIS DO?**

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*Permission to quote is granted when the source is acknowledged.*

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Last summer, the accounting firm KPMG issued its audit report on the financial position of the U.S. Conference of Catholic Bishops (USCCB) for calendar years 2011 and 2012. Though the USCCB is a multi-million dollar organization, the report has passed largely unnoticed by the media. The KPMG report does *not* cover the financial positions of the various U.S. dioceses. Along with other USCCB sources, the audit report provides the information disclosed in the following.

The USCCB is an assembly of U.S. Catholic bishops whose purpose is to “promote the greater good which the Church offers humankind, especially through forms and programs of the apostolate fittingly adapted to circumstances of time and place.” USCCB employs roughly 315 persons mainly in its Washington DC headquarters where it maintains a Government Relations Office to advocate its position on public policy issues. As a 501(c)(3) organization, USCCB is exempt from federal income taxes. Louisville Archbishop Joseph Kurtz was elected USCCB president in 2013 for a three-year term.

By far the largest USCCB asset holding is \$251 million in long-term investments. Return on those investments in 2012 amounted to \$4.3 million before \$692K was paid to the portfolio managers. That’s a net return to USCCB of 1.6 percent. Nearly half of its assets are held in the form of domestic equities. In spite of a \$5.5 million loss in its holdings of mortgage-backed securities year-over-year, USCCB holdings of those securities in 2012 represent the portfolio’s second largest investment. The KPMG provides no information on the specific equities held.

One wonders where the initial investment funds came from, how much of USCCB current operating revenues end up in its investment portfolio, and whether there is a cap on the size of the portfolio beyond which no more funds would be added.

In 2011 investment income net of management fees was \$8.4 million. Though the investment returns plunged by more than 50 percent one year later, fees paid for fund managers dropped from \$783K in 2011 to \$692K in 2012. As with many investment

management firms, fees are not linked tightly to performance. The audit report does not identify the firm(s) that manage the USCCB portfolio.

Taking liabilities into account, net unrestricted assets at the end of 2012 were \$109.4 million. That figure would have been much higher were it not for an estimated \$46.5 million accrued pension liability and \$39.9 million accrued postretirement benefit liability for health care and life insurance benefits.

Benefit obligations under the USCCB retirement at the end of December 2012 amounted to \$96.0 million. Assets held in the retirement plan amounted to \$49.6 million, thus the accrued pension liability of \$46.5 million.

Benefit obligations under the health care and life insurance program totaled \$39.9 million at the end of the year, an increase of more than \$5 million over the previous year. USCCB holds no earmarked assets against those obligations, thus accrued liability matches benefit obligations.

National collections in 2012 amounted to \$86.1 million. Those collections are earmarked for support of programs such as the home missions, rebuilding churches in Haiti, and assistance to churches in central and eastern Europe, and represent the largest source of USCCB operating revenues. The second largest source is \$65.8 million in government contracts and grants that support USCCB efforts to resettle refugees immigrating to the United States.

The Campaign for Human Development (CCHD), which was established in 1969 and is dedicated to addressing the “root causes of poverty in the United States through promotion and support of community-controlled self-help organizations, and through transformative education.”

Since its establishment CCHD has awarded in excess of \$400 million in grants to more than 9,000 community groups, making it the largest private source of funds for self-help groups addressing poverty. During the 2012-2013 grant cycle, CCHD made grants of more than \$9million to 214 groups.

The Campaign has come under attack by *Reform CCHD Now*, the *American Life League*, and other organizations for awarding grants to organizations and programs at odds with the Church’s teachings on such issues as abortion, contraception, and marriage.

Mayo Research Institute has not been able to find any published studies on the impact of the CCHD grant awards for community and economic development. Careful post-award evaluation should be addressing questions such as these. How many persons and families have been lifted out of poverty? How many have been rescued from homelessness or drug addiction? How many have turned away from street gangs? How many run-down houses have been rehabilitated? How many new businesses have been launched?

**What would Francis do with an investment portfolio of more than \$250 million? Kick back and pray for better returns? Use it to promote peace and reconciliation?**

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