



**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

Financial Statements

August 31, 2007 and 2006

(With Independent Auditors' Report Thereon)



KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Most Reverend William F. Murphy, S.T.D., L.H.D.
Bishop of the Roman Catholic Diocese of Rockville Centre:

We have audited the accompanying statements of financial position of the Diocese of Rockville Centre Administrative Offices (the Administrative Offices) as of August 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Administrative Offices' 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. 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 the Administrative Offices' internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 financial statements referred to above present fairly, in all material respects, the financial position of the Diocese of Rockville Centre Administrative Offices as of August 31, 2007 and 2006, and the changes in its net assets and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the accompanying financial statements include the activities of certain program units of the Diocese of Rockville Centre Administrative Offices and do not purport to represent the net assets, changes in net assets, and cash flows of the Diocese of Rockville Centre taken as a whole.

KPMG LLP

April 10, 2008

**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

Statements of Financial Position

August 31, 2007 and 2006

Assets	2007	2006
Cash and cash equivalents	\$ 7,410,682	8,209,226
Investments, at fair value (note 3)	61,753,647	58,863,854
Contributions receivable	1,467,817	1,635,488
Receivables from Parishes:		
Accounts receivable, net of allowance for doubtful accounts of \$1,820,117 and \$1,160,817, in 2007 and 2006, respectively	956,186	1,372,090
Loans receivable, net of allowance for doubtful loans of \$2,700,340 and \$6,442,825, in 2007 and 2006, respectively	2,821,066	3,325,445
Accounts receivable from other related entities	3,662,986	5,541,859
Loans receivable from other related entities	68,757	80,625
Prepaid expenses	753,318	271,748
Property and equipment, net (note 4)	12,619,972	12,351,259
Other assets	2,595,388	2,595,388
Total assets	\$ 94,109,819	94,246,982
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,262,116	3,082,730
Due to related entities	2,252,311	2,021,145
Deferred revenue	2,150,506	2,351,908
Funds on deposit	6,388,195	8,449,164
Other liabilities (note 8)	483,914	561,041
Funds held for others (note 11)	1,727,388	1,594,558
Asset retirement obligation (note 12)	18,701,950	18,157,233
Total liabilities	32,966,380	36,217,779
Net assets:		
Unrestricted:		
Undesignated	37,299,359	35,220,462
Investment in property and equipment	12,619,972	12,351,259
Total unrestricted	49,919,331	47,571,721
Temporarily restricted (note 10)	10,680,258	9,912,460
Permanently restricted (note 10)	543,850	545,022
Total net assets	61,143,439	58,029,203
Total liabilities and net assets	\$ 94,109,819	94,246,982

See accompanying notes to financial statements.

**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

Statement of Activities

Year ended August 31, 2007

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues:				
Diocesan assessments from parishes	\$ 8,028,454	—	—	8,028,454
Non-School assessments from parishes	1,993,176	—	—	1,993,176
Contributions:				
Catholic Ministries Appeal (note 6)	—	10,903,534	—	10,903,534
Religious retirement collections	—	1,339,894	—	1,339,894
Other special collections	—	1,205,192	—	1,205,192
Bequests and other	708,995	—	—	708,995
Catholic Cemeteries (note 9)	1,638,245	—	—	1,638,245
Net appreciation in fair value of investments	5,100,601	38,026	(1,172)	5,137,455
Interest on loans	417,621	—	—	417,621
Program fees	4,012,049	—	—	4,012,049
Jubilee income	398,617	—	—	398,617
Other revenue	2,908,175	—	—	2,908,175
Contributed services (note 2)	1,481,580	—	—	1,481,580
Net assets released from restrictions:				
Catholic Ministries Appeal (note 6)	10,673,162	(10,673,162)	—	—
Religious retirement collections	904,903	(904,903)	—	—
Other	1,140,783	(1,140,783)	—	—
Total revenues	<u>39,406,361</u>	<u>767,798</u>	<u>(1,172)</u>	<u>40,172,987</u>
Expenses and losses:				
Program services:				
Grants (note 9):				
Non-School assessments	906,587	—	—	906,587
Elementary schools	987,732	—	—	987,732
High schools	2,698,475	—	—	2,698,475
Catholic Charities	2,413,535	—	—	2,413,535
Seminary of the Immaculate Conception	1,873,400	—	—	1,873,400
Parishes	2,662,454	—	—	2,662,454
Telecare	1,729,061	—	—	1,729,061
Human development	330,362	—	—	330,362
Other program activities:				
Ministerial	4,603,195	—	—	4,603,195
Clergy personnel	3,870,248	—	—	3,870,248
Faith formation	1,346,467	—	—	1,346,467
Education	1,712,601	—	—	1,712,601
Social services	623,087	—	—	623,087
Communications	386,071	—	—	386,071
New evangelization	2,229,481	—	—	2,229,481
Supporting services:				
Administration	4,479,011	—	—	4,479,011
Institutional advancement	1,726,906	—	—	1,726,906
Property – related expenses	1,820,778	—	—	1,820,778
Provision for bad debts	659,300	—	—	659,300
Total expenses and losses	<u>37,058,751</u>	<u>—</u>	<u>—</u>	<u>37,058,751</u>
Increase (decrease) in net assets	2,347,610	767,798	(1,172)	3,114,236
Net assets, beginning of year	47,571,721	9,912,460	545,022	58,029,203
Net assets, end of year	<u>\$ 49,919,331</u>	<u>10,680,258</u>	<u>543,850</u>	<u>61,143,439</u>

See accompanying notes to financial statements.

**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

Statement of Activities

Year ended August 31, 2006

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues:				
Diocesan assessments from parishes	\$ 7,902,166	—	—	7,902,166
Non-School assessments from parishes	1,176,067	—	—	1,176,067
Contributions:				
Catholic Ministries Appeal (note 6)	—	13,015,321	—	13,015,321
Religious retirement collection:	—	1,307,896	—	1,307,896
Other special collections	—	3,848,060	—	3,848,060
Bequests and other	995,325	—	—	995,325
Catholic Cemeteries (note 9)	2,220,665	—	—	2,220,665
Net appreciation in fair value of investments	3,125,019	98,620	—	3,223,639
Interest on loans	622,732	—	—	622,732
Program fees	3,805,151	—	—	3,805,151
Other revenue	2,057,214	—	—	2,057,214
Contributed services (note 2)	1,430,379	—	—	1,430,379
Net assets released from restrictions				
Catholic Ministries Appeal (note 6)	12,451,032	(12,451,032)	—	—
Religious retirement collection:	889,741	(889,741)	—	—
Other	4,262,873	(4,262,873)	—	—
Total revenues	<u>40,938,364</u>	<u>666,251</u>	<u>—</u>	<u>41,604,615</u>
Expenses and losses:				
Program services:				
Grants (note 9):				
Non-School assessments	1,176,067	—	—	1,176,067
Elementary schools	1,004,739	—	—	1,004,739
High schools	3,413,652	—	—	3,413,652
Catholic Charities	4,221,145	—	—	4,221,145
Seminary of the Immaculate Conceptor	1,667,098	—	—	1,667,098
Parishes	2,384,066	—	—	2,384,066
Telecare	2,474,285	—	—	2,474,285
Mission Assistance Corporation	5,378,164	—	—	5,378,164
Human development	121,126	—	—	121,126
Other program activities:				
Ministerial	6,722,289	—	—	6,722,289
Clergy personnel	3,244,030	—	—	3,244,030
Faith formation	1,762,809	—	—	1,762,809
Education	2,446,087	—	—	2,446,087
Social services	690,012	—	—	690,012
Communications	399,892	—	—	399,892
New evangelization	2,333,562	—	—	2,333,562
Mission grant expense	144,000	—	—	144,000
Supporting services:				
Administration	4,895,145	—	—	4,895,145
Institutional advancement	1,261,752	—	—	1,261,752
Property – related expenses	2,080,290	—	—	2,080,290
Interest expense	421,765	—	—	421,765
Provision for bad debts	2,672,814	—	—	2,672,814
Total expenses and losses	<u>50,914,789</u>	<u>—</u>	<u>—</u>	<u>50,914,789</u>
(Decrease) increase in net assets before cumulative effect of change in accounting principle	(9,976,425)	666,251	—	(9,310,174)
Cumulative effect of change in accounting principle (note 12)	<u>(13,423,523)</u>	<u>—</u>	<u>—</u>	<u>(13,423,523)</u>
(Decrease) increase in net assets	(23,399,948)	666,251	—	(22,733,697)
Net assets, beginning of year	70,971,669	9,246,209	545,022	80,762,900
Net assets, end of year	<u>\$ 47,571,721</u>	<u>9,912,460</u>	<u>545,022</u>	<u>58,029,203</u>

See accompanying notes to financial statements.

**DIOCESE OF ROCKVILLE CENTRE
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Statements of Cash Flows

Years ended August 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 3,114,236	(22,733,697)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Cumulative change of effect in accounting principle	—	13,423,523
Depreciation expense	1,039,797	1,825,200
Accretion of asset retirement obligation	544,717	—
Net appreciation in fair value of investments	(5,137,455)	(3,223,639)
Provision for bad debts	659,300	2,672,814
Changes in assets and liabilities:		
Decrease (increase) in contributions receivable	167,671	(1,614,288)
Decrease (increase) in accounts receivable	1,635,477	(2,548,167)
(Increase) decrease in prepaid expenses	(481,570)	16,056
Decrease in accounts payable, accrued expenses, and due to related entities	(1,589,448)	(985,489)
(Decrease) increase in deferred revenue	(201,402)	2,174,589
(Decrease) increase in other liabilities	(77,127)	92,118
Increase (decrease) in funds held for others	132,830	(1,192,627)
Net cash used in operating activities	(192,974)	(12,093,607)
Cash flows from investing activities:		
Purchases of investments	(1,508,323)	(10,348,688)
Proceeds from sale of investments	3,755,985	20,839,167
Purchases of property and equipment	(1,308,510)	(744,761)
Net cash provided by investing activities	939,152	9,745,718
Cash flows from financing activities:		
Proceeds from loans sold to Mission Assistance Corporation	830,038	—
(Increase) decrease in loans receivable, net	(313,791)	750,617
(Decrease) increase in funds on deposit	(2,060,969)	4,963,641
Net cash (used in) provided by financing activities	(1,544,722)	5,714,258
Net (decrease) increase in cash and cash equivalents	(798,544)	3,366,369
Cash and cash equivalents, beginning of year	8,209,226	4,842,857
Cash and cash equivalents, end of year	\$ 7,410,682	8,209,226

See accompanying notes to financial statements.

**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

Notes to Financial Statements

August 31, 2007 and 2006

(1) Organization

The accompanying financial statements include certain funds and accounts of the Administrative Departments of the Roman Catholic Diocese of Rockville Centre (the Diocese) (collectively, the Administrative Offices). These funds and accounts include Chancery Operations and Plant, Diocesan Loan Account, and Catholic Ministries Appeal.

The Administrative Offices are part of the Roman Catholic Diocese of Rockville Centre, which is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and a similar provision of the New York State income tax laws. Accordingly, no provision for income taxes has been made.

The accompanying financial statements do not include the activities of any of the following funds or entities: The Health Insurance Program; Protected Self-Insurance Program; Unitas Investment Fund, Inc.; Ecclesia Assurance Company, Inc.; Diocesan Services, Inc.; Propagation of the Faith and Mission Office; Telecare; Catholic Press Association; Seminary of the Immaculate Conception; Catholic Charities; Pension Plans; Parishes; Elementary and High Schools; Catholic Cemeteries; Tomorrow's Hope Foundation; Pontifical Mission Aid Societies; Catholic Health Services; and Cleary School for the Deaf.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles using the accrual basis of accounting. Accordingly, net assets of the Administrative Offices and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the Administrative Offices and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Administrative Offices. The Administrative Offices is permitted to use the income earned on the related investments for general or specified operating purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

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Notes to Financial Statements

August 31, 2007 and 2006

Contributions, including unconditional promises to give (pledges), are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions receivable are all scheduled to be collected in the next year.

(b) Cash and Cash Equivalents

Cash and cash equivalents includes cash and money market funds held in banks as well as temporary cash investments with original maturities of 90 days or less, excluding those amounts held for long-term investment purposes.

(c) Investments

Investments are recorded at fair value (see note 3). Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities could occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

(d) Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of contribution, if donated. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the related assets, as follows:

Buildings	20 years
Building improvements:	
Exterior improvements	15 years
Interior improvements	10 years
Equipment and other	3 years

(e) Disclosures About Fair Value of Financial Instruments

Fair value of contributions receivable and investments is discussed above. The following methods and assumptions were used to estimate the fair value of other financial instruments:

Loans receivable – The carrying amount of loans receivable approximates fair value because these financial instruments bear rates, which approximate current market rates for loans of similar collateral position, credit quality and maturities.

The fair values of the Diocese's remaining financial instruments (as defined) at August 31, 2007 and 2006 approximate associated carrying values.

(f) Assessment Revenue

Parish assessments are recorded in the year the parish is assessed by the Diocese. Such assessment revenue is used for the support of Diocesan activities.

**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

Notes to Financial Statements

August 31, 2007 and 2006

(g) *Contributed Services*

Support arising from contributed services of religious personnel has been recognized in the accompanying financial statements. The amounts recorded represent the difference between stipends and other amounts paid to or on behalf of the religious personnel and the comparable compensation that would be paid to lay persons, if lay persons were to occupy those positions.

(h) *Guarantee on Loans*

In 2006, the Diocese entered into line of credit agreements with three financial institutions to provide up to \$2,889,000 in financing for construction and renovation projects undertaken by three different parishes. One of the three parishes fully satisfied its loan by August 31, 2007 and its line of credit of \$800,000 was closed. The two parishes with borrowings are responsible for repayment of any amounts borrowed, and the Diocese is a co-signer. The total amount outstanding at August 31, 2007 under these lines of credit was \$1,423,751, which is not reflected in the 2007 financial statements.

(i) *Functional Allocation of Expenses*

The costs of providing the various programs and other activities of the Administrative Offices have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) *Reclassifications*

Certain reclassifications have been made to the 2006 financial statement presentation to conform to the 2007 presentation.

(3) *Investments*

Certain of the Administrative Offices' investments are in a pooled investment fund held by Unitas Investment Fund, Inc. (Unitas), a separately incorporated, nonregulated investment fund organized to provide investment options to Roman Catholic organizations in the Diocese. Unitas offers investment options to participants including a short-term enhanced cash fund, fixed income and equity offerings. The investments in Unitas are carried at fair value based principally upon the quoted market prices of the underlying assets of the fund. A "mission fee" is deducted from the investment performance of all participants for the purpose of funding the mission component, provided the fund had a positive return. The rates range from 0.05% to 0.5% annually depending upon the investment options chosen.

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Notes to Financial Statements

August 31, 2007 and 2006

At August 31, 2007 and 2006, the investments of the Administrative Offices were comprised of the following:

	2007	2006
Cash equivalents held for long-term investment	\$ 508,451	522,612
Unitas Short-Term Fund	19,370,510	20,475,538
Unitas Balanced Fund	41,874,685	37,865,704
	\$ 61,753,646	58,863,854

(4) Property and Equipment

At August 31, 2007 and 2006, property and equipment, net, consisted of the following:

	2007	2006
Land	\$ 563,884	563,884
Building and improvements	21,695,033	20,630,720
Equipment and other	5,946,375	5,702,178
	28,205,292	26,896,782
Less accumulated depreciation	(15,585,320)	(14,545,523)
Total	\$ 12,619,972	12,351,259

(5) Loans Receivable

Loans to parishes generally bear interest equal to 85% of the prime rate, calculated on a quarterly basis, in arrears, with maturity dates through 2009. Principal payments may be scheduled monthly, quarterly, annually, or at maturity only; such terms are negotiated on a loan-by-loan basis between the Diocese and the individual parish. Parishes retain the right to prepay their loans at any time without penalty. The Diocese retains the right to renegotiate a loan at any time prior to maturity.

(6) Catholic Ministries Appeal Contributions, Net

Catholic Ministries Appeal (Appeal) is an annual fund raising drive designed to provide on-going support for the Diocese's most important pastoral and social service functions. Receipts from the Appeal are directed to one of five areas: catholic charities, parishes, pastoral ministries, education, and faith formation. All the Appeal's funds are directed to these purposes, as the Diocese underwrites the costs of conducting and executing the Appeal from other unrestricted sources.

The Appeal conducts its campaign on a calendar year basis. Amounts received for the 2007 Appeal are time restricted to the 2008 fiscal year of the Diocese and, accordingly, are recorded as temporarily restricted revenue. Some of the ministries the Appeal supports receive their funding as it is received by the Diocese. Accordingly, amounts directed to parishes and Catholic Charities have been expensed to the extent of their entitlements, based on the cash received to that date. The amounts supporting the functions

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Notes to Financial Statements

August 31, 2007 and 2006

of pastoral ministries, education, and faith formation are included in temporarily restricted net assets as these amounts are restricted for the 2008 fiscal year.

The following reconciliation provides the changes in the Appeal's net assets for the years ended August 31, 2007 and 2006:

Temporarily restricted net assets at August 31, 2006	\$ 6,197,168
Additional contributions received related to 2006 Appeal	770,822
	6,967,990
Distributions from 2006 Appeal:	
Catholic Charities	(389,268)
Parishes	(981,549)
Pastoral ministries, education and faith formation	(5,597,173)
	(6,967,990)
Contributions through August 31, 2007 for the 2007 Appeal	10,132,712
Distributions from 2007 Appeal:	
Catholic Charities	(2,024,267)
Parishes	(1,680,905)
	(3,705,172)
Temporarily restricted net assets at August 31, 2007	\$ 6,427,540
Temporarily restricted net assets at August 31, 2005	\$ 5,632,879
Additional contributions received related to 2005 Appeal	3,335,756
	8,968,635
Distributions from 2005 Appeal:	
Catholic Charities	(2,303,528)
Parishes	(922,814)
Pastoral ministries, education and faith formation	(5,845,820)
	(9,072,162)
Contributions through August 31, 2006 for the 2006 Appeal	9,679,565
Distributions from 2006 Appeal:	
Catholic Charities	(1,917,617)
Parishes	(1,461,253)
	(3,378,870)
Temporarily restricted net assets at August 31, 2006	\$ 6,197,168

**DIOCESE OF ROCKVILLE CENTRE
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(7) Pension and Retirement Plans

The Administrative Offices is a participant in the noncontributory lay pension plan established by the Diocese covering employees who meet certain minimum service requirements. The Administrative Offices also participates in a noncontributory retirement plan for clergy. Because the plans are considered multi-employer plans, they are only subject to certain minimum reporting requirements of Statements of Financial Accounting Standards (SFAS) SFAS No. 87, *Employers' Accounting for Pensions*, as amended by SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. Pension expense allocated to the Administrative Offices for the years ended August 31, 2007 and 2006 totaled approximately \$469,500 and \$466,000, respectively, for the noncontributory lay pension plan and \$249,500 and \$177,300, respectively, for the noncontributory retirement plan for clergy.

(8) Charitable Gift Annuities

The Administrative Offices' investments include deferred giving vehicles subject to split-interest agreements (charitable gift annuities) of \$508,400 and \$522,600 at August 31, 2007 and 2006, respectively. Charitable gift annuities represent irrevocable gifts under which the Diocese agreed to pay a life annuity to the donor or designated beneficiary. Donors of such funds can designate the Diocese, parish, or other catholic entity to be the ultimate recipient of the gift and have agreed that the Diocese will have the ability to redirect funds to a different Diocesan entity, if it becomes impractical to use the gift as originally intended. The contributed funds and the related liabilities immediately become part of the general assets and liabilities of the Diocese, subject to maintaining an actuarial reserve in accordance with New York State law. The actuarial liability of annuities payable of \$347,900 and \$351,300, respectively, is included in other liabilities.

(9) Related-Party Transactions

(a) Catholic Charities

In fiscal 2007, the Administrative Offices distributed \$2,413,535 to Catholic Charities from the Catholic Ministries Appeal, which includes \$389,268 from the 2006 appeal and \$2,024,267 from the 2007 appeal. In fiscal 2006 the Administrative Offices distributed \$4,221,145 to Catholic Charities from the Catholic Ministries Appeal, which includes \$2,303,528 from the 2005 appeal and \$1,917,617 from the 2006 appeal.

(b) Catholic Schools

The Administrative Offices provided grants to parish and regional elementary schools of approximately \$988,000 and \$1,005,000 for the years ended August 31, 2007 and 2006, respectively, to assist in their respective operations. The Administrative Offices also provided catholic high schools with subsidies of approximately \$2,698,000 and \$3,413,000 for the years ended August 31, 2007 and 2006, respectively.

(c) Seminary of the Immaculate Conception

For the years ended August 31, 2007 and 2006, the Administrative Offices provided the diocesan Seminary with subsidies of approximately \$1,873,400 (comprised of general subsidy of \$1,173,185; tuition of \$454,725; and health insurance and other of \$245,490) and \$1,667,000 (comprised of

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general subsidy of \$1,404,651; tuition of \$96,250; and health insurance and other of \$166,197), respectively.

(d) *Catholic Cemeteries*

In 2007 and 2006, the Administrative Offices received contributions of approximately \$1,638,000 and \$2,220,000, respectively, from the Catholic Cemeteries of the Diocese of Rockville Centre in order to help support the Bishop's various ministries.

(e) *Telecare*

The Administrative Offices provided Telecare operating subsidies of approximately \$1,729,000 and \$2,474,000 in fiscal 2007 and 2006, respectively, to help support the Diocesan television station. The Administrative Offices has committed to continue to subsidize the operations of Telecare through at least August 31, 2008.

(f) *Insurance and Benefits Departments*

The Administrative Offices, parishes, and other Diocesan entities are self-insured with regard to property and casualty insurance through the Protected Self Insurance Program (PSIP). The Health Insurance Program of the Diocese of Rockville Centre (the Program) also exists to provide health coverage to employees of diocesan and parish entities. Insurance premiums charged by PSIP to the Administrative Offices totaled approximately \$126,000 and \$123,000 for the years ended August 31, 2007 and 2006, respectively. Additionally, the Administrative Offices paid health insurance premiums of approximately \$1,460,000 and \$1,704,000 to the Program for the years ended August 31, 2007 and 2006, respectively.

On May 18, 2007, a judgment in the amount of \$5.0 million was rendered against the Diocese on a claim pending at August 31, 2006. The claim will be fully satisfied from the loss reserves and insurance policies procured through PSIP.

(g) *Mission Assistance Corporation*

Mission Assistance Corporation (MAC) was established in 2006 for the purpose of administering loans to parishes in need. In 2006, the Administrative Offices granted \$5,378,000 to MAC from the mission fund of the Diocesan deposit and loan account in support of its mission. In 2007, MAC started administering loans to parishes in need. During 2007, the Administrative Offices sold loans that it had issued to parishes in need, to MAC, at their net realizable value of \$830,038.

(h) *Interdiocesan Religious Retirement Fund*

The Interdiocesan Religious Retirement Fund was established as a joint effort between the Diocese and the Diocese of Brooklyn to provide for the future needs of elderly priests, brothers, and sisters who serve or have served either of the two dioceses. For the years ended August 31, 2007 and 2006, the amount collected, net of expenses, and transferred to the Interdiocesan Religious Retirement Fund totaled \$833,013 and \$835,354, respectively.

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(10) Restricted Net Assets

Temporarily restricted net assets were available for the following purposes or for future periods at August 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Catholic Ministries Appeal (see note 6)	\$ 6,427,540	6,197,168
Special programmatic collections	1,160,952	1,121,090
Religious retirement	1,688,498	1,253,508
Care for needy priests	235,425	320,396
Human development	230,869	214,678
Dominican Republic	62,385	138,836
Retired religious & priests	372,245	128,471
Charitable gift annuities held for other Diocesan entities	91,443	125,982
Seminarians	91,742	98,285
Educational	98,601	93,058
Care for the elderly	83,101	64,240
Seminary	31,057	41,765
Other	106,400	114,983
	<u>\$ 10,680,258</u>	<u>9,912,460</u>

The income from permanently restricted net assets was available for the following purposes at August 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Care for the elderly	\$ 399,292	400,241
Seminarians	54,609	54,738
Educational	47,652	47,765
Seminary	42,297	42,278
	<u>\$ 543,850</u>	<u>545,022</u>

(11) Funds Held for Others (Custodian Funds)

Custodian funds are amounts received from special collections and appeals designated to specific agencies. These funds are entrusted to the Administrative Offices only for the purpose of receiving, holding, and disbursing them according to the purpose of the collection or appeal.

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For the years ended August 31, 2007 and 2006, the activity of the custodian funds consisted of the following:

	2007	2006
Balance, beginning of year	\$ 1,594,558	1,574,188
National collections received	1,839,631	2,208,254
National collections remitted	(1,490,000)	(2,049,962)
Other disbursements	(216,801)	(137,922)
Balance, end of year	\$ 1,727,388	1,594,558

(12) Cumulative Effect of Change in Accounting Principle

In March 2005, the Financial Accounting Standards Board issued Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations*. Under FIN 47, costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The Administrative Offices identified asbestos abatement as a conditional asset retirement obligation. The Administrative Offices is accepting the financial responsibility for such asset retirement obligations for which the Diocese of Rockville Centre holds title and estimates the present value of remediation costs to be approximately \$18,157,000. The liability, net of the associated asset of approximately \$4,734,000, was recorded in the 2006 statement of activities as a cumulative effect of change in accounting principle.