



**CATHOLIC PRESS ASSOCIATION
OF THE DIOCESE OF ROCKVILLE CENTRE, INC.**

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 Board of Directors
Catholic Press Association of the
Diocese of Rockville Centre, Inc.:

We have audited the accompanying statements of financial position of Catholic Press Association of the Diocese of Rockville Centre, Inc. (the Association) 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 Association'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. 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 Association's 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 Catholic Press Association of the Diocese of Rockville Centre, Inc. as of August 31, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

January 3, 2008

**CATHOLIC PRESS ASSOCIATION
OF THE DIOCESE OF ROCKVILLE CENTRE, INC.**

Statements of Financial Position

August 31, 2007 and 2006

Assets	2007	2006
Cash and cash equivalents	\$ 191,334	53,905
Investments (note 3)	2,216,589	2,017,296
Accounts receivable:		
Advertisers and other, less allowance for doubtful accounts of \$19,600 and \$11,050 in 2007 and 2006, respectively	90,655	132,262
Parishes, less allowance for doubtful accounts of \$105,000 and \$127,000 in 2007 and 2006, respectively	140,367	146,522
Property and equipment, net (note 4)	263,566	269,869
Other assets	46,646	11,315
Total assets	\$ 2,949,157	2,631,169
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 75,380	68,429
Deferred revenue	20,261	21,070
Total liabilities	95,641	89,499
Net assets – unrestricted	2,853,516	2,541,670
Total liabilities and net assets	\$ 2,949,157	2,631,169

See accompanying notes to financial statements.

**CATHOLIC PRESS ASSOCIATION
OF THE DIOCESE OF ROCKVILLE CENTRE, INC.**

Statements of Activities

Years ended August 31, 2007 and 2006

	2007	2006
Revenues:		
Subscriptions:		
Parishes, net of discounts of \$80,293 and \$87,209 in 2007 and 2006, respectively	\$ 1,465,221	1,469,483
Other	17,065	17,328
Total subscriptions	1,482,286	1,486,811
Investment income:		
Net appreciation in fair value of investments	200,158	109,362
Advertising	1,346,461	1,192,187
List rental	22,810	3,608
Bishop's grant (note 5)	32,403	—
Total revenues	3,084,118	2,791,968
Expenses:		
Program services:		
Editorial	554,769	592,670
Circulation	677,020	650,212
Total program services	1,231,789	1,242,882
Supporting services:		
Management and general	273,623	323,978
Advertising	1,266,860	1,203,776
Total supporting services	1,540,483	1,527,754
Total expenses	2,772,272	2,770,636
Increase in net assets	311,846	21,332
Net assets at beginning of year	2,541,670	2,520,338
Net assets at end of year	\$ 2,853,516	2,541,670

See accompanying notes to financial statements.

**CATHOLIC PRESS ASSOCIATION
OF THE DIOCESE OF ROCKVILLE CENTRE, INC.**

Statements of Cash Flows

Years ended August 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Increase in net assets	\$ 311,846	21,332
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	25,880	36,136
Net appreciation in fair value of investments	(199,293)	(108,849)
Decrease (increase) in accounts receivable	47,762	(16,377)
(Increase) decrease in other assets	(35,331)	2,483
Increase (decrease) in accounts payable and accrued expenses	6,951	(13,926)
(Decrease) increase in deferred revenue	(809)	10,775
Net cash provided by (used in) operating activities	157,006	(68,426)
Cash flows from investing activities:		
Purchase of fixed assets	(19,577)	(6,245)
Proceeds from sale of investments	—	75,000
Net cash (used in) provided by investing activities	(19,577)	68,755
Net increase in cash and cash equivalents	137,429	329
Cash and cash equivalents at beginning of year	53,905	53,576
Cash and cash equivalents at end of year	\$ 191,334	53,905

See accompanying notes to financial statements.

**CATHOLIC PRESS ASSOCIATION
OF THE DIOCESE OF ROCKVILLE CENTRE, INC.**

Notes to Financial Statements

August 31, 2007 and 2006

(1) Organization

The Catholic Press Association of the Diocese of Rockville Centre, Inc. (the Association) is the publisher of "The Long Island Catholic," the weekly Catholic newspaper of the Roman Catholic Diocese of Rockville Centre (the Diocese).

The Association is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws, except for income not related to its tax-exempt purpose (e.g., revenues from business advertising). There is no unrelated business income tax liability in 2007 or 2006.

(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, the Association's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions, as follows:

Unrestricted net assets – include amounts that have not been donor-restricted and are available for use in carrying out the general operations of the Association.

Temporarily restricted net assets – include amounts that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Association pursuant to those stipulations.

Permanently restricted net assets – include amounts whereby donors have stipulated that the principal contributed be maintained in perpetuity.

The Association did not have any temporarily or permanently restricted net assets as of and for the years ended August 31, 2007 and 2006.

(b) Cash Equivalents

Cash equivalents include highly liquid financial instruments with original maturities of three months or less, except for those instruments held by investment managers for long-term investment purposes.

(c) Property and Equipment

Property and equipment are recorded at cost at date of acquisition or fair value at date of contribution, if donated. Leasehold improvements are amortized over the shorter of the lease term or their estimated useful life, generally 20 years, using the straight-line method. Furniture and fixtures are depreciated using the straight-line method based upon the estimated useful life of 5 years. Library books are depreciated using the straight-line method based upon the estimated useful life of 10 years.

**CATHOLIC PRESS ASSOCIATION
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Notes to Financial Statements

August 31, 2007 and 2006

(d) Revenue Recognition

Subscription and advertising revenue is recognized upon shipment of the newspaper. Amounts received in advance of the shipment date are reported as deferred revenue.

(e) Allowance for Doubtful Accounts

The Association determines its allowance for doubtful accounts based upon a formula applied to aged accounts, in addition to an assessment of the respective parishes' and advertisers' financial condition.

(f) 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.

(3) Investments

The Association's investments are in pooled investment funds held by Unitas Investment Fund, Inc. (Unitas), a separately incorporated, non-regulated investment fund organized to provide investment options to Roman Catholic organizations in the Diocese of Rockville Centre. 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.

Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the accompanying financial statements.

The Association is invested in The Unitas Short-Term Fund and The Unitas Balanced Fund, which had balances of \$126,163 and \$2,090,426, respectively, at August 31, 2007 and \$121,479 and \$1,895,817, respectively, at August 31, 2006.

**CATHOLIC PRESS ASSOCIATION
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Notes to Financial Statements

August 31, 2007 and 2006

(4) Property and Equipment

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

	2007	2006
Furniture and fixtures	\$ 317,258	319,069
Leasehold improvements	348,085	348,085
Library books	8,495	8,495
	673,838	675,649
Less accumulated depreciation and amortization	(410,272)	(405,780)
	\$ 263,566	269,869

(5) Related-Party Transactions

(a) Rent Obligation

The Association leases its facility from the Diocese under an oral agreement. The Association paid the Diocese \$6,420 per month or approximately \$77,000 annually during 2007 and 2006.

(b) Pension Plan

The Association is a participant in the noncontributory lay pension plan, a defined benefit plan, established by the Diocese covering employees who meet certain minimum service requirements. Because the plan is considered a multi-employer plan, it is only subject to certain minimum reporting requirements of Statement of Financial Accounting Standards (SFAS) No. 87, *Employers' Accounting for Pensions*, as amended by SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. Pension expense totaled \$78,100 and \$93,380 for the years ended August 31, 2007 and 2006, respectively.

(c) Insurance and Benefits

The Association has obtained its property and casualty insurance through the Protected Self Insurance Program of the Diocese of Rockville Centre (PSIP). The Association's employees obtain their health insurance through the Health Insurance Program of the Diocese of Rockville Centre (Health Insurance Program). Insurance premiums charged by the PSIP to the Association totaled \$11,685 and \$11,603 for the years ended August 31, 2007 and 2006, respectively. Additionally, the Association's expense under the Health Insurance Program was \$188,725 and \$188,571 for the years ended August 31, 2007 and 2006, respectively.

(d) Bishop's Grant

During 2007, the Bishop of the Diocese authorized a grant to all Diocesan entities in an amount equal to three months of the entity's (employer's) share of medical insurance premiums. The Association's grant totaled \$32,403 for the year ended August 31, 2007.