



**TELECARE
OF THE DIOCESE OF ROCKVILLE CENTRE**

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 Telecare of the Diocese of Rockville Centre (Telecare) 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 Telecare'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 Telecare'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 Telecare of the Diocese of Rockville Centre 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

March 17, 2008

**TELECARE
OF THE DIOCESE OF ROCKVILLE CENTRE**

Statements of Financial Position

August 31, 2007 and 2006

Assets	2007	2006
Cash and cash equivalents	\$ 4,737	—
Due from other Diocesan Organizations (note 7)	115,000	—
Accounts receivable, net of allowance for doubtful accounts of \$176,000 and \$154,000, respectively	71,647	13,752
Prepaid expenses and other assets	64,783	30,456
Furniture, equipment and building improvements, net (note 4)	853,555	1,029,610
Total assets	\$ 1,109,722	1,073,818
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 219,608	263,107
Due to other Diocesan Organizations (note 7)	148,696	—
Deferred revenue (note 6)	—	96,177
Total liabilities	368,304	359,284
Net assets – unrestricted	741,418	714,534
Total liabilities and net assets	\$ 1,109,722	1,073,818

See accompanying notes to financial statements.

**TELECARE
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Statements of Activities

Years ended August 31, 2007 and 2006

	2007	2006
Revenues:		
Special events revenue, net of expenses (note 5)	\$ 537,209	486,106
Rental of transmitter facilities (note 6)	610,461	502,118
Sponsorship revenue	629,809	653,750
Contributed services (note 2)	154,334	216,916
Television services	73,518	52,315
Contributions	37,760	18,142
Bishop's grant (note 7)	50,416	—
Miscellaneous	6,910	9,079
Total revenues	2,100,417	1,938,426
Expenses:		
Technical, engineering and production	2,879,403	3,192,109
General and administrative	923,191	1,055,202
Total expenses	3,802,594	4,247,311
Decrease in net assets before subsidy from the Diocese of Rockville Centre	(1,702,177)	(2,308,885)
Diocese of Rockville Centre subsidy (note 7)	1,729,061	2,474,285
Increase in net assets	26,884	165,400
Net assets at beginning of year	714,534	549,134
Net assets at end of year	\$ 741,418	714,534

See accompanying notes to financial statements.

**TELECARE
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Statements of Cash Flows

Years ended August 31, 2007 and 2006

	2007	2006
Cash flows from operating activities:		
Increase in net assets	\$ 26,884	165,400
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Forgiveness of loan from Diocesan Deposit and Loan Account	—	(469,269)
Depreciation	301,751	354,203
Bad debt expense	22,000	33,297
Increase in due from other Diocesan Organizations	(115,000)	—
(Increase) decrease in accounts receivable	(79,895)	119,164
Increase in prepaid expenses and other assets	(34,327)	(23,994)
(Decrease) increase in accounts payable and accrued expenses	(43,499)	58,297
Decrease in deferred revenue	(96,177)	(33,406)
Net cash (used in) provided by operating activities	(18,263)	203,692
Cash flows from investing activities:		
Purchases of furniture, equipment and building improvements	(125,696)	(85,077)
Net cash used in investing activities	(125,696)	(85,077)
Cash flows from financing activities:		
Reduction of obligations under capital lease	—	(558)
Proceeds (repayment) of loan from Diocesan Deposit and Loan Account	148,696	(252,291)
Increase in accounts payable and accrued expenses due to bank overdraft	—	26,037
Net cash provided by (used in) financing activities	148,696	(226,812)
Net increase (decrease) in cash and cash equivalents	4,737	(108,197)
Cash and cash equivalents at beginning of year	—	108,197
Cash and cash equivalents at end of year	\$ 4,737	—

See accompanying notes to financial statements.

**TELECARE
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Notes to Financial Statements

August 31, 2007 and 2006

(1) Organization

Telecare of the Diocese of Rockville Centre (Telecare) operates the Diocesan television system, which broadcasts varied religious education, spiritual development and general instructional programming to schools, parishes and homes throughout the Roman Catholic Diocese of Rockville Centre (the Diocese).

Telecare is classified as a 501(c)(3) organization and 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.

Telecare is economically dependent on the Diocese for continued financial support. The Diocese has agreed to continue providing financial support to Telecare at least through August 31, 2008.

(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, Telecare'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 restricted by an outside donor and are therefore available for use in carrying out the general operations of Telecare.

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 Telecare pursuant to those stipulations.

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

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

(b) Allowance for Doubtful Accounts

Telecare determines its allowance for doubtful accounts based upon a formula applied to aged accounts, in addition to an assessment of the respective organization's financial condition.

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(c) Furniture, Equipment and Building Improvements

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

Building improvements:	
Exterior improvements	15 years
Interior improvements	10 years
Automobiles	5 years
Furniture and equipment	3 years
Computer hardware and software	3 years

The land, buildings and towers utilized by Telecare are owned by the Diocese. For the years ended August 31, 2007 and 2006, rental expense was \$299,061 and \$292,698, respectively.

In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*. This interpretation requires entities to recognize a liability for the fair value of a legal obligation to perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. The Diocese has recorded the asset retirement obligation pertaining to the building utilized by Telecare.

(d) 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, which would be paid to lay persons, if lay persons were to occupy these positions.

(e) Functional Allocation of Expenses

The costs of providing the various programs and other activities of Telecare have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain costs have been allocated between the programmatic activities of technical, engineering and production and general and administrative expenses.

(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.

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Notes to Financial Statements

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(3) Loan from Deposit and Loan Account

In 2005, Telecare borrowed funds from the Deposit and Loan Account (DLA) of the Diocese of Rockville Centre Administrative Office, which were used for general operations. During 2006, the \$469,269 balance owed to the DLA was forgiven and reflected as part of the subsidy from the Diocese.

(4) Furniture, Equipment and Building Improvements

At August 31, 2007 and 2006, furniture, equipment and building improvements, net, consisted of the following:

	2007	2006
Studio and other technical equipment	\$ 2,883,274	2,785,895
Building improvements	1,824,321	1,802,093
Studio furniture and fixtures	70,012	70,012
Office furniture, fixtures and equipment	317,240	311,151
Automobiles	77,074	77,074
Total furniture, equipment and building improvements	5,171,921	5,046,225
Less accumulated depreciation	(4,318,366)	(4,016,615)
Furniture, equipment and building improvements, net	\$ 853,555	1,029,610

(5) Special Events

For the years ended August 31, 2007 and 2006, special events revenue and expenses arose from the following:

	2007		
	Proceeds	Expenses	Net Revenue
Annual Golf Classic	\$ 253,312	(116,837)	136,475
Annual Telethon	252,928	(1,402)	251,526
Award Luncheon	181,793	(32,585)	149,208
	\$ 688,033	(150,824)	537,209

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	2006		
	Proceeds	Expenses	Net Revenue
Annual Golf Classic	\$ 163,010	(93,286)	69,724
Annual Telethon	233,979	(15,679)	218,300
Award Luncheon	235,604	(37,522)	198,082
	\$ 632,593	(146,487)	486,106

(6) Rental of Transmitter Facilities

Telecare leases the use of its transmitter facilities under various operating leases. Rental income in fiscal years 2007 and 2006 was \$610,461 and \$502,118, respectively. Under the terms of the leases, rental revenue is expected to be received as follows:

Fiscal year	Amount
2008	\$ 364,577
2009	278,612
2010	129,955
2011	134,317
2012	52,146
Thereafter	167,646
Total	\$ 1,127,253

In fiscal year 2002, two cellular telephone companies paid to Telecare a one-time aggregate amount of \$350,000 in connection with five-year lease agreements. These payments were deferred and were recognized as revenue over the terms of the agreements.

(7) Related-Party Transactions

(a) Pension and Retirement Plans

Telecare 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. Telecare 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 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 approximated \$116,750 and \$117,200 for the lay pension plan and \$6,900 and \$4,700 for the clergy retirement plan for the years ended August 31, 2007 and 2006, respectively.

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(b) Insurance and Benefits

Telecare has obtained its property and casualty insurance through the Protected Self Insurance Program of the Diocese of Rockville Centre (PSIP). Telecare's employees obtain their health insurance through the Health Insurance Program of the Diocese of Rockville Centre (Health Insurance Program). Insurance premiums charged by PSIP to Telecare totaled approximately \$52,700 and \$49,700 for the years ended August 31, 2007 and 2006, respectively. Additionally, Telecare's expense under the Health Insurance Program was approximately \$180,000 and \$210,000 for the years ended August 31, 2007 and 2006, respectively.

(c) Operating Subsidy

Telecare is economically dependent on the Diocese for continued financial support. The total subsidy provided to Telecare from the Diocese for the years ended August 31, 2007 and 2006 was approximately \$1,729,000 and \$2,474,000, respectively.

In 2006, the Diocese entered into an agreement with an outside wireless cable company so that the wireless company could lease and use specified channels for communication services. Under this contract, the company agreed to pay the Diocese a monthly fee of \$150,000. In order to help subsidize Telecare, the Diocese is using a portion of the monthly lease payment to assist Telecare with its monthly operations.

(d) Due to Other Diocesan Organizations

Due to other Diocesan organizations at August 31, 2007 primarily includes amounts for bills that have been paid by the Administrative Offices of the Diocese of Rockville Centre on Telecare's behalf for insurance, medical and other costs.

(e) 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. Telecare's grant totaled \$50,416 for the year ended August 31, 2007.