



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

Financial Statements

August 31, 2008 and 2007

(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, 2008 and 2007, 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, 2008 and 2007, 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

November 6, 2008

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

Statements of Financial Position

August 31, 2008 and 2007

Assets	2008	2007
Cash and cash equivalents	\$ 113,104	191,334
Investments (note 3)	2,124,297	2,216,589
Accounts receivable:		
Advertisers and other, less allowance for doubtful accounts of \$17,000 and \$19,600 in 2008 and 2007, respectively	113,372	90,655
Parishes, less allowance for doubtful accounts of \$111,000 and \$105,000 in 2008 and 2007, respectively	130,391	140,367
Property and equipment, net (note 4)	250,625	263,566
Other assets	13,842	46,646
Total assets	\$ 2,745,631	2,949,157
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 115,806	75,380
Deferred revenue	17,219	20,261
Total liabilities	133,025	95,641
Net assets – unrestricted	2,612,606	2,853,516
Total liabilities and net assets	\$ 2,745,631	2,949,157

See accompanying notes to financial statements.

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

Statements of Activities

Years ended August 31, 2008 and 2007

	2008	2007
Revenues:		
Subscriptions:		
Parishes, net of discounts of \$90,319 and \$80,293 in 2008 and 2007, respectively	\$ 1,423,727	1,465,221
Other	22,453	17,065
Total subscriptions	1,446,180	1,482,286
Investment income (loss)	(90,859)	200,158
Advertising	1,465,236	1,346,461
List rental	9,013	22,810
Bishop's grant (note 5)	—	32,403
Total revenues	2,829,570	3,084,118
Expenses:		
Program services:		
Editorial	693,008	554,769
Circulation	810,658	677,020
Total program services	1,503,666	1,231,789
Supporting services:		
Management and general	264,794	273,623
Advertising	1,302,020	1,266,860
Total supporting services	1,566,814	1,540,483
Total expenses	3,070,480	2,772,272
(Decrease) increase in net assets	(240,910)	311,846
Net assets at beginning of year	2,853,516	2,541,670
Net assets at end of year	\$ 2,612,606	2,853,516

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended August 31, 2008 and 2007

	2008	2007
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (240,910)	311,846
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	26,890	25,880
Net depreciation (appreciation) in fair value of investments	92,292	(199,293)
(Increase) decrease in accounts receivable	(12,741)	47,762
Decrease (increase) in other assets	32,804	(35,331)
Increase in accounts payable and accrued expenses	40,426	6,951
Decrease in deferred revenue	(3,042)	(809)
Net cash (used in) provided by operating activities	(64,281)	157,006
Cash flows from investing activity:		
Purchase of fixed assets	(13,949)	(19,577)
Net cash used in investing activity	(13,949)	(19,577)
Net (decrease) increase in cash and cash equivalents	(78,230)	137,429
Cash and cash equivalents at beginning of year	191,334	53,905
Cash and cash equivalents at end of year	\$ 113,104	191,334

See accompanying notes to financial statements.

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

Notes to Financial Statements

August 31, 2008 and 2007

(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 2008 or 2007.

(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, 2008 and 2007.

(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 six years. Library books are depreciated using the straight-line method based upon the estimated useful life of 10 years.

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

Notes to Financial Statements

August 31, 2008 and 2007

(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.

(g) Risks and Uncertainties

The Association invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(h) New Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. SFAS 157 is effective for reporting periods beginning after November 15, 2007. The Association is currently evaluating the impact of SFAS 157 on its financial statements; however, the adoption of SFAS 157 will require additional disclosures regarding the inputs used to develop the fair value measurements and the impacts of certain measurements on the statement of activities.

In June 2006, FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. FIN 48 requires entities to determine whether it is more-likely-than-not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. FIN 48 is currently effective for the Association's August 31, 2010 financial statements. The adoption of FIN 48 is not expected to have a significant impact on the Association's financial statements.

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

Notes to Financial Statements

August 31, 2008 and 2007

(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. 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 0.05% 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 \$123,499 and \$2,000,798, respectively, at August 31, 2008 and \$126,163 and \$2,090,426, respectively, at August 31, 2007.

(4) Property and Equipment

At August 31, 2008 and 2007, property and equipment consisted of the following:

	2008	2007
Furniture and fixtures	\$ 262,782	317,258
Leasehold improvements	348,085	348,085
Library books	8,495	8,495
	619,362	673,838
Less accumulated depreciation and amortization	(368,737)	(410,272)
	\$ 250,625	263,566

(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 2008 and 2007.

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

Notes to Financial Statements

August 31, 2008 and 2007

(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 SFAS No. 87, *Employers' Accounting for Pensions*, as amended by SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. Pension expense totaled \$56,406 and \$78,100 for the years ended August 31, 2008 and 2007, 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 \$11,616 and \$11,685 for the years ended August 31, 2008 and 2007, respectively. Additionally, the Association's expense under the Health Insurance Program was \$205,276 and \$188,725 for the years ended August 31, 2008 and 2007, 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.