DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

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 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, 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 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, 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.

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

November 26, 2008

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DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Statements of Financial Position

August 31, 2008 and 2007

Assets		**2008**	**2007**
Cash and cash equivalents	$	2,717,567	2,871,325
Investments, at fair value (note 3)		54,484,320	66,293,004
Contributions receivable		1,085,255	967,814
Receivables from Parishes:			
Accounts receivable, net of allowance for doubtful accounts of $1,922,000 and $1,820,000, in 2008 and 2007, respectively		1,334,907	956,186
Loans receivable, net of allowance for doubtful loans of $1,740,000 and $2,700,000, in 2008 and 2007, respectively		1,840,262	2,821,066
Accounts receivable from other related entities		8,223,847	4,162,989
Loans receivable from other related entities		59,059	68,757
Prepaid expenses		227,353	753,318
Property and equipment, net (note 4)		11,926,096	12,619,972
Other assets		2,695,388	2,595,388
Total assets	$	84,594,054	94,109,819
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	1,770,925	1,262,116
Due to related entities		10,831,971	2,252,311
Deferred revenue		1,873,963	2,150,506
Funds on deposit		15,695	6,388,195
Other liabilities (note 8)		371,236	483,914
Funds held for others (note 11)		1,095,988	1,727,388
Asset retirement obligation (note 12)		19,033,834	18,701,950
Total liabilities		34,993,612	32,966,380
Net assets:			
Unrestricted:			
Undesignated		27,080,144	37,299,359
Investment in property and equipment		11,926,096	12,619,972
Total unrestricted		39,006,240	49,919,331
Temporarily restricted (note 10)		10,061,837	10,680,258
Permanently restricted (note 10)		532,365	543,850
Total net assets		49,600,442	61,143,439
Total liabilities and net assets	$	84,594,054	94,109,819

See accompanying notes to financial statements.

DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Statement of Activities

Year ended August 31, 2008

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and (losses):				
Diocesan assessments from parishes	$ 8,394,808	—	—	8,394,808
Non-School assessments from parishes	2,051,513	—	—	2,051,513
Contributions:				
Catholic Ministries Appeal (note 6)	—	11,253,557	—	11,253,557
Religious retirement collections	—	2,008,011	—	2,008,011
Other special collections	—	1,285,666	—	1,285,666
Bequests and other	215,799	—	—	215,799
Catholic Cemeteries (note 9)	3,000,000	—	—	3,000,000
Net depreciation in fair value of investments	(1,936,630)	(7,875)	(11,485)	(1,955,990)
Interest and dividends	249,761	—	—	249,761
Interest on loans	301,285	—	—	301,285
Program fees	5,398,143	—	—	5,398,143
Other revenue	1,195,722	—	—	1,195,722
Contributed services (note 2)	910,974	—	—	910,974
Net assets released from restrictions:				
Catholic Ministries Appeal (note 6)	10,800,008	(10,800,008)	—	—
Religious retirement collections	2,388,949	(2,388,949)	—	—
Other	1,968,823	(1,968,823)	—	—
Total revenues and (losses)	34,939,155	(618,421)	(11,485)	34,309,249
Expenses and losses:				
Program services:				
Grants (note 9):				
Non-School assessments	2,038,407	—	—	2,038,407
Elementary schools	991,261	—	—	991,261
High schools	1,495,457	—	—	1,495,457
Catholic Charities	2,438,680	—	—	2,438,680
Seminary of the Immaculate Conception	1,929,633	—	—	1,929,633
Parishes	2,427,587	—	—	2,427,587
Telecare	1,790,219	—	—	1,790,219
Mission Assistance Corporation	5,000,000	—	—	5,000,000
Human development	334,724	—	—	334,724
Other program activities:				
Ministerial	6,654,501	—	—	6,654,501
Clergy personnel	3,325,575	—	—	3,325,575
Faith formation	1,443,914	—	—	1,443,914
Education	1,920,766	—	—	1,920,766
Social services	669,498	—	—	669,498
Communications	609,391	—	—	609,391
New evangelization	2,767,244	—	—	2,767,244
Supporting services:				
Administration	6,179,796	—	—	6,179,796
Institutional advancement	1,970,426	—	—	1,970,426
Property – related expenses	1,762,933	—	—	1,762,933
Provision for bad debts	102,234	—	—	102,234
Total expenses and losses	45,852,246	—	—	45,852,246
Decrease in net assets	(10,913,091)	(618,421)	(11,485)	(11,542,997)
Net assets, beginning of year	49,919,331	10,680,258	543,850	61,143,439
Net assets, end of year	$ 39,006,240	10,061,837	532,365	49,600,442

See accompanying notes to financial statements.

DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Statement of Activities

Year ended August 31, 2007

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and (losses):				
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	4,618,587	38,026	(1,172)	4,655,441
Interest and dividends	482,014	—	—	482,014
Interest on loans	417,621	—	—	417,621
Program fees	4,012,049	—	—	4,012,049
Jubilee income	398,617	—	—	398,617
Other revenue	2,981,395	—	—	2,981,395
Contributed services (note 2)	989,767	—	—	989,767
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 and (losses)	38,987,768	767,798	(1,172)	39,754,394
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	4,406,168	—	—	4,406,168
Clergy personnel	3,663,393	—	—	3,663,393
Faith formation	1,346,467	—	—	1,346,467
Education	1,712,601	—	—	1,712,601
Social services	606,315	—	—	606,315
Communications	386,071	—	—	386,071
New evangelization	2,176,203	—	—	2,176,203
Supporting services:				
Administration	4,480,227	—	—	4,480,227
Institutional advancement	1,781,029	—	—	1,781,029
Property – related expenses	1,820,778	—	—	1,820,778
Provision for bad debts	659,300	—	—	659,300
Total expenses and losses	36,640,158	—	—	36,640,158
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	$ 49,919,331	10,680,258	543,850	61,143,439

See accompanying notes to financial statements.

DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Statements of Cash Flows

Years ended August 31, 2008 and 2007

		2008	2007
Cash flows from operating activities:			
(Decrease) increase in net assets	$	(11,542,997)	3,114,236
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:			
Loss on disposal of assets		150,709	—
Depreciation expense		1,015,557	1,039,797
Accretion of asset retirement obligation		554,384	544,717
Removal of asbestos		(222,500)	—
Net depreciation (appreciation) in fair value of investments		1,955,990	(4,655,441)
Provision for bad debts		102,234	659,300
Changes in operating assets and liabilities:			
Contributions receivable		(117,441)	667,674
Accounts receivable		(4,541,813)	1,135,474
Prepaid expenses		525,965	(481,570)
Accounts payable, accrued expenses, and due to related entities		1,185,114	(1,589,448)
Deferred revenue		(276,543)	(201,402)
Other liabilities		(112,678)	(77,127)
Funds held for others		(631,400)	132,830
Net cash (used in) provided by operating activities		(11,955,419)	289,040
Cash flows from investing activities:			
Purchases of investments		(89,883,242)	(58,612,606)
Proceeds from sale of investments		99,735,936	59,538,865
Purchases of property and equipment		(472,390)	(1,308,510)
Increase in other assets		(100,000)	—
Proceeds from loans sold to Mission Assistance Corporation		671,550	830,038
Decrease (increase) in loans receivable, net		318,952	(313,791)
Net cash provided by investing activities		10,270,806	133,996
Cash flows from financing activities:			
Decrease in funds on deposit		(6,372,500)	(2,060,969)
Increase in due to related entities		7,903,355	—
Net cash provided by (used in) financing activities		1,530,855	(2,060,969)
Net decrease in cash and cash equivalents		(153,758)	(1,637,933)
Cash and cash equivalents, beginning of year		2,871,325	4,509,258
Cash and cash equivalents, end of year	$	2,717,567	2,871,325

See accompanying notes to financial statements.

(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 (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 Service, 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.

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 include 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 (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

The fair value of 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 that 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, 2008 and 2007 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.

(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, 2008 under these lines of credit was $1,195,887, which is not reflected in the 2008 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) Risks and Uncertainties

The Administrative Offices 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.

(l) New Accounting Standards

In August 2008, Financial Accounting Standards Board (FASB) Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds* (FSP), was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of that FSP is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. New York State has not yet adopted UPMIFA so the Administrative Offices will not have to reclassify its net assets until such time. However, for the year ended August 31, 2009, the Administrative Offices will have to adopt certain of the disclosure requirements of the FSP.

In September 2006, the 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 Administrative Offices 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 Administrative Office's August 31, 2010 financial statements. The adoption of FIN 48 is not expected to have a significant impact on the Administrative Offices' financial statements.

(m) Reclassifications

Certain reclassifications have been made to the 2007 financial statement presentation to conform to the 2008 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.

At August 31, 2008 and 2007, the investments of the Administrative Offices were comprised of the following:

		2008	2007
Cash equivalents held for long-term investment	$	12,377,155	5,047,808
Unitas Short-Term Fund		11,749,508	19,370,511
Unitas Balanced Fund		24,653,622	41,874,685
Unitas Structured Debt Fund		5,704,035	—
	$	54,484,320	66,293,004

(4) Property and Equipment

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

		2008	2007
Land	$	563,884	563,884
Building and improvements		21,809,173	21,695,033
Equipment and other		6,097,025	5,946,375
		28,470,082	28,205,292
Less accumulated depreciation		(16,543,986)	(15,585,320)
Total	$	11,926,096	12,619,972

(5) Loans Receivable

Loans to parishes generally bear interest equal to 85% of the prime rate, calculated on a quarterly basis, in arrears. 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

Appeal is an annual fund-raising drive designed to provide ongoing 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 2008 Appeal are time restricted to the 2009 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 of pastoral ministries, education, and faith formation are included in temporarily restricted net assets as these amounts are restricted for the 2009 fiscal year.

The following reconciliation provides the changes in the Appeal's net assets for the years ended August 31, 2008 and 2007:

Temporarily restricted net assets at August 31, 2007	$	6,427,540
Additional contributions received related to 2007 Appeal		977,210
		7,404,750
Distributions from 2007 Appeal:		
Catholic Charities		(416,706)
Parishes		(1,054,303)
Pastoral ministries, education and faith formation		(5,933,741)
		(7,404,750)
Contributions through August 31, 2008 for the 2008 Appeal		10,276,347
Distributions from 2008 Appeal:		
Catholic Charities		(2,021,974)
Parishes		(1,373,284)
		(3,395,258)
Temporarily restricted net assets at August 31, 2008	$	6,881,089

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

(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 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, 2008 and 2007 totaled approximately $547,500 and $469,500, respectively, for the noncontributory lay pension plan and $267,700 and $249,500, 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 $466,200 and $508,400 at August 31, 2008 and 2007, 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 $364,800 and $347,900, respectively, is included in other liabilities.

(9) Related-Entity Transactions

The entities discussed below in (a), (c), (e), and (g) are separate and distinct 501(c)(3) corporations respecting which the Bishop of the Diocese (and, in certain cases, other personnel of the Diocese) serves as a corporate member.

(a) Catholic Charities

In fiscal 2008, the Administrative Offices distributed $2,438,680 to Catholic Charities from the Appeal, which includes $416,706 from the 2007 Appeal and $2,021,974 from the 2008 Appeal. In fiscal 2007, the Administrative Offices distributed $2,413,535 to Catholic Charities from the Appeal, which includes $389,268 from the 2006 Appeal and $2,024,267 from the 2007 Appeal.

(b) Catholic Schools

The Administrative Offices provided grants to parish and regional elementary schools, which are separate and distinct 501(c)(3) corporations, of approximately $991,000 and $988,000 for the years ended August 31, 2008 and 2007, respectively, to assist in their respective operations. The Administrative Offices also provided Catholic high schools with subsidies of approximately $1,495,000 and $2,698,000 for the years ended August 31, 2008 and 2007, respectively.

(c) Seminary of the Immaculate Conception

For the years ended August 31, 2008 and 2007, the Administrative Offices provided the Diocesan seminary with subsidies of approximately $1,929,600 (comprised of general subsidy of $1,221,408; tuition of $455,100; health insurance of $156,590; and other of $96,535) and $1,873,400 (comprised of general subsidy of $1,173,661; tuition of $454,250; health insurance of $128,309; and other of $117,180), respectively.

(d) Catholic Cemeteries

In 2008 and 2007, the Administrative Offices received contributions of approximately $3,000,000 and $1,638,000, 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 subsidies of approximately $1,790,000 and $1,729,000 in fiscal 2008 and 2007, respectively, to help support the Diocesan television station. The Administrative Offices has committed to continue to subsidize the operations of Telecare through at least September 1, 2009.

(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 $134,000 and $126,000 for the years ended August 31, 2008 and 2007, respectively. Additionally, the Administrative Offices paid health insurance premiums of approximately $1,957,000 and $1,460,000 to the Program for the years ended August 31, 2008 and 2007, 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 was fully satisfied from the loss reserves and insurance policies procured through PSIP in 2007.

(g) Mission Assistance Corporation

Mission Assistance Corporation (MAC) was established in 2006 for the purpose of administering loans to parishes in need. In 2007, MAC started administering loans to parishes in need. During 2008 and 2007, the Administrative Offices sold loans that it had issued to parishes in need, to MAC, at their net realizable value of $671,550 and $830,038, respectively. In 2008, the Administrative Offices granted $5,000,000 to MAC from the mission fund of the Diocesan deposit and loan account in support of its mission.

(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, 2008 and 2007, the amount collected, net of expenses, and transferred to the Interdiocesan Religious Retirement Fund totaled $2,303,807 and $833,013, respectively.

(10) Restricted Net Assets

Temporarily restricted net assets were available for the following purposes or for future periods at August 31, 2008 and 2007:

		2008	2007
Catholic Ministries Appeal (note 6)	$	6,881,089	6,427,540
Special programmatic collections		1,188,290	1,160,952
Religious retirement		1,307,560	1,688,498
Care for needy priests		—	235,425
Human development		198,567	230,869
Dominican Republic		9,120	62,385
Retired religious and priests		231,363	372,245
Charitable gift annuities held for other Diocesan entities		33,392	91,443
Seminarians		14,017	91,742
Educational		96,519	98,601
Care for the elderly		46,115	83,101
Seminary		—	31,057
Other		55,805	106,400
	$	10,061,837	10,680,258

The income from permanently restricted net assets was available for the following purposes at August 31, 2008 and 2007:

		2008	2007
Care for the elderly	$	390,860	399,292
Seminarians		53,455	54,609
Educational		46,646	47,652
Seminary		41,404	42,297
	$	532,365	543,850

(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.

For the years ended August 31, 2008 and 2007, the activity of the custodian funds consisted of the following:

		2008	2007
Balance, beginning of year	$	1,727,388	1,594,558
National collections received		1,542,541	1,839,631
National collections remitted		(1,176,991)	(1,490,000)
Other disbursements		(996,950)	(216,801)
	$	1,095,988	1,727,388

(12) Conditional Asset Retirement Obligation

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 holds title and estimates the present value of remediation costs to be approximately $19,034,000 and $18,702,000 at August 31, 2008 and 2007, respectively.