DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Financial Statements

August 31, 2009 and 2008

(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, 2009 and 2008, 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, 2009 and 2008, 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

December 11, 2009

DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Statements of Financial Position

August 31, 2009 and 2008

Assets		2009	2008
Cash and cash equivalents	$	2,534,813	2,717,567
Investments (note 3)		40,819,088	54,484,320
Contributions receivable		996,747	1,085,255
Receivables from Parishes:			
Accounts receivable, net of allowance for doubtful accounts of $2,627,000 and $1,922,000, in 2009 and 2008, respectively		1,469,257	1,334,907
Loans receivable, net of allowance for doubtful loans of $1,903,000 and $1,740,000, in 2009 and 2008, respectively (note 5)		1,579,557	1,840,262
Accounts receivable from other related entities		4,714,034	8,223,847
Loans receivable from other related entities		51,059	59,059
Prepaid expenses		400,551	227,353
Property and equipment, net (note 4)		11,589,173	11,926,096
Other assets		2,466,998	2,695,388
Total assets	$	66,621,277	84,594,054
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	4,367,904	1,770,925
Due to related entities		2,727,292	10,831,971
Deferred revenue		1,548,297	1,873,963
Funds on deposit		—	15,695
Other liabilities (note 8)		581,932	371,236
Funds held for others (note 11)		609,319	1,095,988
Asset retirement obligation (note 12)		19,581,751	19,033,834
Total liabilities		29,416,495	34,993,612
Net assets:			
Unrestricted:			
Undesignated		16,255,121	27,080,144
Investment in property and equipment		11,589,173	11,926,096
Total unrestricted		27,844,294	39,006,240
Temporarily restricted (note 10)		8,815,466	10,061,837
Permanently restricted (note 10)		545,022	532,365
Total net assets		37,204,782	49,600,442
Total liabilities and net assets	$	66,621,277	84,594,054

See accompanying notes to financial statements.

DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Statement of Activities

Year ended August 31, 2009

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and (losses):				
Diocesan assessments from parishes	$ 8,515,353	—	—	8,515,353
Non-School assessments from parishes	2,148,096	—	—	2,148,096
Contributions:	—	—	—	
Catholic Ministries Appeal (note 6)	—	11,252,462	—	11,252,462
Religious retirement collections	—	1,074,992	—	1,074,992
Other special collections	—	998,984	—	998,984
Bequests and other	134,497	—	—	134,497
Catholic Cemeteries (note 9)	3,000,000	—	—	3,000,000
Net depreciation in fair value of investments	(4,005,752)	(9)	(11)	(4,005,772)
Interest and dividends	1,071,334	(4,805)	13,622	1,080,151
Interest on loans	256,246	—	—	256,246
Program fees	4,952,233	—	—	4,952,233
Other revenue	1,048,174	—	—	1,048,174
Contributed services (note 2)	774,079	—	—	774,079
Net assets released from restrictions:				
Catholic Ministries Appeal (note 6)	11,273,251	(11,273,251)	—	—
Religious retirement collections	1,729,739	(1,729,739)	—	—
Other	1,564,397	(1,564,397)	—	—
Total revenues and (losses)	32,461,647	(1,245,763)	13,611	31,229,495
Expenses:				
Program services:				
Grants (note 9):				
Non-School assessments	1,870,784	—	—	1,870,784
Elementary schools	851,494	—	—	851,494
High schools	1,934,262	—	—	1,934,262
Catholic Charities (note 6)	2,607,271	—	—	2,607,271
Seminary of the Immaculate Conception	1,774,136	—	—	1,774,136
Parishes (note 6)	2,301,971	—	—	2,301,971
Telecare	2,179,497	—	—	2,179,497
Mission Assistance Corporation	2,000,000	—	—	2,000,000
Human development	100,550	—	—	100,550
Other program activities:				
Ministerial	6,120,301	—	—	6,120,301
Clergy personnel	4,426,158	—	—	4,426,158
Faith formation	1,289,419	—	—	1,289,419
Education	1,822,410	—	—	1,822,410
Social services	575,748	—	—	575,748
Communications	485,985	—	—	485,985
New evangelization	1,853,727	—	—	1,853,727
Supporting services:				
Administration	6,150,094	—	—	6,150,094
Institutional advancement	2,404,803	—	—	2,404,803
Property – related expenses	1,879,963	—	—	1,879,963
Investment – related expenses	127,840	608	954	129,402
Provision for bad debts	867,180	—	—	867,180
Total expenses	43,623,593	608	954	43,625,155
(Decrease) increase in net assets	(11,161,946)	(1,246,371)	12,657	(12,395,660)
Net assets, beginning of year	39,006,240	10,061,837	532,365	49,600,442
Net assets, end of year	$ 27,844,294	8,815,466	545,022	37,204,782

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		(3,203,204)	(28,506)	(30,019)	(3,261,729)
Interest and dividends		1,895,607	22,930	20,744	1,939,281
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)		35,318,427	(616,122)	(9,275)	34,693,030
Expenses:					
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 (note 6)		2,438,680	—	—	2,438,680
Seminary of the Immaculate Conception		1,929,633	—	—	1,929,633
Parishes (note 6)		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		2,009,946	—	—	2,009,946
Property – related expenses		1,762,933	—	—	1,762,933
Investment – related expenses		339,752	2,299	2,210	344,261
Provision for bad debts		102,234	—	—	102,234
Total expenses		46,231,518	2,299	2,210	46,236,027
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

Statements of Cash Flows

Years ended August 31, 2009 and 2008

		2009	2008
Cash flows from operating activities:			
Decrease in net assets	$	(12,395,660)	(11,542,997)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Loss on disposal of assets		3,936	150,709
Depreciation expense		1,030,645	1,015,557
Accretion of asset retirement obligation		570,342	554,384
Removal of asbestos		(22,425)	(222,500)
Net depreciation in fair value of investments		4,005,772	3,261,729
Provision for bad debts		867,180	102,234
Changes in operating assets and liabilities:			
Contributions receivable		88,508	(117,441)
Accounts receivable		2,508,283	(4,541,813)
Prepaid expenses		(173,198)	525,965
Accounts payable and accrued expenses		516,273	1,185,114
Deferred revenue		(325,666)	(276,543)
Other liabilities		210,696	(112,678)
Funds held for others		(486,669)	(631,400)
Net cash used in operating activities		(3,601,983)	(10,649,680)
Cash flows from investing activities:			
Purchases of investments		(82,279,711)	(91,533,242)
Proceeds from sale of investments		91,939,171	100,080,197
Purchases of property and equipment		(697,658)	(472,390)
Decrease (increase) in other assets		228,390	(100,000)
Proceeds from loans sold to Mission Assistance Corporation		448,334	671,550
Decrease in loans receivable, net		(179,629)	318,952
Net cash provided by investing activities		9,458,897	8,965,067
Cash flows from financing activities:			
Increase in accounts payable and accrued expenses due to bank overdraft		2,080,706	—
Decrease in funds on deposit		(15,695)	(6,372,500)
(Decrease) increase in due to related entities		(8,104,679)	7,903,355
Net cash (used in) provided by financing activities		(6,039,668)	1,530,855
Net decrease in cash and cash equivalents		(182,754)	(153,758)
Cash and cash equivalents, beginning of year		2,717,567	2,871,325
Cash and cash equivalents, end of year	$	2,534,813	2,717,567

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 of the Diocese of Rockville Centre (The Program); the Protected Self-Insurance Program (PSIP); Unitas Investment Fund, Inc. (Unitas); 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).

(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) 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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 statements of financial position.

(j) Recent Accounting Standards

Effective September 1, 2008, the Administrative Offices adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157), as amended. SFAS 157 defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

The adoption of SFAS 157 did not have a material impact on the Administrative Offices' financial statements.

In connection with the adoption of SFAS 157, the Administrative Offices elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures - Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including the investments in Unitas. This guidance amends SFAS 157 and allows for the estimation of the fair value of investments within its scope using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to SFAS 157.

Effective August 31, 2009, the Administrative Offices adopted SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The adoption of SFAS 165 had no significant impact on the Administrative Offices' financial statements.

In August 2008, the Financial Accounting Standards Board (FASB) Staff Position 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 the FSP for entities subject to UPMIFA 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. As of August 31, 2009, New York State has not adopted UPMIFA. Accordingly, the impact on the 2009 financial statements is limited to additional disclosures (see note 10).

In June 2006, the FASB issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes, An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosures. FIN 48 is currently effective for the Administrative Offices' August 31, 2010 financial statements. The adoption of FIN 48 is not expected to have a significant impact on the Administrative Offices' financial statements.

(k) Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 presentation.

(3) Investments

Certain of the Administrative Offices' investments are in pooled investment funds held by 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 money market fund, fixed income and equity offerings. The investments in Unitas are carried at estimated 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, 2009 and 2008, the investments of the Administrative Offices were comprised of the following:

		2009	2008
Cash equivalents	$	16,344,695	12,377,155
Unitas Money Market Fund		7,397,704	11,749,508
Unitas Balanced Fund		13,893,824	24,653,622
Unitas Structured Debt Fund		3,182,865	5,704,035
	$	40,819,088	54,484,320

The following table presents the fair value hierarchy of investments as of August 31, 2009.

		Fair value	Level 1	Level 2	Level 3
Cash equivalents	$	16,344,695	16,344,695	—	—
Unitas Money Market Fund		7,397,704	—	7,397,704	—
Unitas Balanced Fund		13,893,824	—	13,893,824	—
Unitas Structired Debt Fund		3,182,865	—	3,182,865	—
Total	$	40,819,088	16,344,695	24,474,393	—

(4) Property and Equipment

At August 31, 2009 and 2008, property and equipment, net, consisted of the following:

		2009	2008
Land	$	563,884	563,884
Building and improvements		22,379,402	21,809,173
Equipment and other		6,204,774	6,097,025
		29,148,060	28,470,082
Less accumulated depreciation		(17,558,887)	(16,543,986)
Total	$	11,589,173	11,926,096

(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.

(Continued)

(6) Catholic Ministries Appeal Contributions, Net

The Catholic Ministries Appeal (the 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 amounts raised from the Appeal 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 supported by the Appeal 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 2010 fiscal year.

The following reconciliation provides the changes in the Appeal's net assets for the years ended August 31, 2009 and 2008:

Temporarily restricted net assets at August 31, 2008	$	6,881,089
Additional contributions received related to 2008 Appeal		984,493
		7,865,582
Distributions from 2008 Appeal:		
Catholic Charities		(372,995)
Parishes		(1,128,578)
Pastoral ministries, education and faith formation		(6,364,009)
		(7,865,582)
Contributions through August 31, 2009 for the 2009 Appeal		10,267,969
Distributions from 2009 Appeal:		
Catholic Charities		(2,234,276)
Parishes		(1,173,393)
		(3,407,669)
Temporarily restricted net assets at August 31, 2009	$	6,860,300

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

(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, 2009 and 2008 totaled approximately $716,900 and $547,500, respectively, for the noncontributory lay pension plan and $308,700 and $267,700, respectively, for the noncontributory retirement plan for clergy.

(8) Charitable Gift Annuities

The Administrative Offices' investments include amounts subject to split-interest agreements (charitable gift annuities) of $410,700 and $466,200 at August 31, 2009 and 2008, 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 $317,500 and $364,800, 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 for 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 2009, the Administrative Offices distributed $2,607,271 to Catholic Charities from the Appeal, which includes $372,995 from the 2008 Appeal and $2,234,276 from the 2009 Appeal. 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.

(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 $851,000 and $991,000 for the years ended August 31, 2009 and 2008, respectively, to assist in their respective operations. The Administrative Offices also provided Catholic high schools with grants of approximately $1,934,000 and $1,495,000 for the years ended August 31, 2009 and 2008, respectively.

(c) Seminary of the Immaculate Conception

For the years ended August 31, 2009 and 2008, the Administrative Offices provided the Diocesan seminary with subsidies of $1,774,136 (comprised of general subsidy of $1,253,075; tuition of $328,800; health insurance of $111,812; and other purposes of $80,449) and $1,929,633 (comprised of general subsidy of $1,221,408; tuition of $455,100; health insurance of $156,590; and other purposes of $96,535), respectively.

(d) Catholic Cemeteries

In both 2009 and 2008, the Administrative Offices received contributions of $3,000,000 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 $2,179,000 and $1,790,000 in fiscal 2009 and 2008, 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, 2010.

(f) Insurance and Benefits Departments

The Administrative Offices, parishes, and other Diocesan entities are self-insured with regard to property and casualty insurance through PSIP. 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 $130,000 and $134,000 for the years ended August 31, 2009 and 2008, respectively. Additionally, the Administrative Offices paid health insurance premiums of approximately $2,278,000 and $1,957,000 to the Program for the years ended August 31, 2009 and 2008, respectively.

(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 2009 and 2008, the Administrative Offices sold such loans to MAC at their net realizable value of $448,334 and $671,550, respectively. In 2009 and 2008, the Administrative Offices granted $2,000,000 and $5,000,000, respectively, 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, 2009 and 2008, the amount collected, net of expenses, and transferred to the Interdiocesan Religious Retirement Fund totaled $1,647,985 and $2,303,807, respectively.

(i) 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 outstanding are responsible for repayment of any amounts borrowed, and the Diocese is a co-signer. The total amount outstanding at August 31, 2009 under these lines of credit was $886,265, which is not reflected in the 2009 financial statements.

In 2008, the Diocese entered into a guaranty agreement with a financial institution to guaranty repayment of up to $2,360,000 in financing for construction of a new church undertaken by one parish. The parish is responsible for repayment of any amounts borrowed, and the Diocese is guarantor. The total amount of the underlying loan outstanding at August 31, 2009 was $1,771,660, which is not reflected in the 2009 financial statements.

(10) Restricted Net Assets

Temporarily restricted net assets were available for the following purposes or for future periods at August 31, 2009 and 2008:

		2009	2008
Catholic Ministries Appeal (note 6)	$	6,860,300	6,881,089
Special programmatic collections		818,191	1,188,290
Religious retirement		652,813	1,307,560
Human development		142,272	198,567
Dominican Republic		4,165	9,120
Retired religious and priests		132,560	231,363
Charitable gift annuities held for other Diocesan entities		27,112	33,392
Seminarians		13,951	14,017
Educational		96,296	96,519
Care for the elderly		39,473	46,115
Other		28,333	55,805
	$	8,815,466	10,061,837

The income from permanently restricted net assets was available for the following purposes at August 31, 2009 and 2008:

		2009	2008
Care for the elderly	$	400,241	390,860
Seminarians		54,738	53,455
Educational		47,765	46,646
Seminary		42,278	41,404
	$	545,022	532,365

The Administrative Offices endowment consists of nine individual donor-restricted funds established for a variety of purposes. At August 31, 2009, the fair value of certain endowment funds was less than their original fair value (underwater) by a total of approximately $3,400.

The Administrative Offices has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift.

The Uniform Management of Institutional Funds Act (UMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Administrative Offices classifies as permanently restricted net assets (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

(Continued)

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor imposed restrictions.

Endowment net assets consist of the following at August 31, 2009, and 2008:

		2009			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted	$	(3,356)	80,681	545,022	622,347

		2008			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Donor-restricted	$	(1,948)	88,040	532,365	618,457

The following table presents the changes in the Administrative Offices' donor-restricted endowment funds for the years ended August 31, 2009 and 2008:

		2009			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets at September 1, 2008	$	(1,948)	88,040	532,365	618,457
Net depreciation in fair value of investments and other		(1,408)	(7,359)	12,657	3,890
Endowment net assets at August 31, 2009	$	(3,356)	80,681	545,022	622,347

		2008			
		Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets at September 1, 2007	$	—	174,508	543,850	718,358
Net depreciation in fair value of investments and other		(1,948)	(1,573)	(11,485)	(15,006)
Distributions		—	(84,895)	—	(84,895)
Endowment net assets at August 31, 2008	$	(1,948)	88,040	532,365	618,457

(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, 2009 and 2008, the activity of the custodian funds consisted of the following:

		2009	2008
Balance, beginning of year	$	1,095,988	1,727,388
National collections received		1,462,338	1,542,541
National collections remitted		(1,329,206)	(1,176,991)
Other disbursements		(619,801)	(996,950)
Balance, end of year	$	609,319	1,095,988

(12) Conditional Asset Retirement Obligation

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 $19,582,000 and $19,034,000 at August 31, 2009 and 2008, respectively.

(13) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of financial instruments not reported at fair value in the statement of financial position:

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, 2009 and 2008 approximate associated carrying values.

(14) Subsequent Events

In connection with the preparation of the financial statements, the Administrative Offices evaluated subsequent events through December 11, 2009, which was the date the financial statements were approved for issuance, and concluded that no additional disclosures are required.