KPMG

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

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 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, 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 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, 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.

KPMG LLP

December 11, 2009

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

Statements of Financial Position

August 31, 2009 and 2008

Assets		**2009**	**2008**
Cash and cash equivalents	$	2,655	113,104
Investments (note 3)		1,990,271	2,124,297
Accounts receivable:			
Advertisers and others, less allowance for doubtful accounts of $16,000 and $17,000 in 2009 and 2008, respectively		88,785	113,372
Parishes, less allowance for doubtful accounts of $164,000 and $111,000 in 2009 and 2008, respectively		128,020	130,391
Property and equipment, net (note 4)		231,805	250,625
Other assets		9,660	13,842
Total assets	$	2,451,196	2,745,631
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	241,861	115,806
Deferred revenue		9,643	17,219
Total liabilities		251,504	133,025
Net assets – unrestricted		2,199,692	2,612,606
Total liabilities and net assets	$	2,451,196	2,745,631

See accompanying notes to financial statements.

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

Statements of Activities

Years ended August 31, 2009 and 2008

	2009	2008
Revenues:		
Subscriptions:		
Parishes, net of discounts of $57,619 and $90,319 in 2009 and 2008, respectively	$ 1,386,902	1,423,727
Other	13,869	22,453
Total subscriptions	1,400,771	1,446,180
Investment loss	(83,675)	(90,859)
Advertising	1,265,225	1,465,236
List rental	9,848	9,013
Total revenues	2,592,169	2,829,570
Expenses:		
Program services:		
Editorial	634,200	693,008
Circulation	844,133	810,658
Total program services	1,478,333	1,503,666
Supporting services:		
Management and general	339,399	264,794
Advertising	1,187,351	1,302,020
Total supporting services	1,526,750	1,566,814
Total expenses	3,005,083	3,070,480
Decrease in net assets	(412,914)	(240,910)
Net assets at beginning of year	2,612,606	2,853,516
Net assets at end of year	$ 2,199,692	2,612,606

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended August 31, 2009 and 2008

		2009	2008
Cash flows from operating activities:			
Decrease in net assets	$	(412,914)	(240,910)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:			
Depreciation and amortization		27,253	26,890
Net depreciation in fair value of investments		84,026	92,292
Decrease (increase) in accounts receivable		26,958	(12,741)
Decrease in other assets		4,182	32,804
Increase in accounts payable and accrued expenses		126,055	40,426
Decrease in deferred revenue		(7,576)	(3,042)
Net cash used in operating activities		(152,016)	(64,281)
Cash flows from investing activities:			
Proceeds from sale of investments		50,000	—
Purchase of fixed assets		(8,433)	(13,949)
Net cash provided by (used in) investing activities		41,567	(13,949)
Net decrease in cash and cash equivalents		(110,449)	(78,230)
Cash and cash equivalents at beginning of year		113,104	191,334
Cash and cash equivalents at end of year	$	2,655	113,104

See accompanying notes to financial statements.

(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 2009 or 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, 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, 2009 and 2008.

(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.

(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 statements of financial position.

(h) Recent Accounting Standards

Effective September 1, 2008, the Association 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.

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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 Association's financial statements.

In connection with the adoption of SFAS 157, the Association 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 Investment Fund, Inc. (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 Association 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 Association's financial statements.

In June 2006, the Financial Accounting Standards Board (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.

(3) Investments

The Association's investments are in pooled investment funds held by 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 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.

The Association is invested in The Unitas Money Market Fund and The Unitas Balanced Fund, which had balances of $74,264 and $1,916,007, respectively, at August 31, 2009 and $123,499 and $2,000,798, respectively, at August 31, 2008. The investments in Unitas are Level 2 inputs within the fair value hierarchy.

(4) Property and Equipment

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

		2009	2008
Furniture and fixtures	$	271,215	262,782
Leasehold improvements		348,085	348,085
Library books		8,495	8,495
		627,795	619,362
Less accumulated depreciation and amortization		(395,990)	(368,737)
	$	231,805	250,625

(5) Related-Party Transactions

(a) Rent Obligation

The Association leases its facility from the Diocese under a written agreement. The Association paid the Diocese $6,545 per month or approximately $78,500 annually during 2009 and $6,420 per month or approximately $77,000 annually during 2008.

The following is a schedule by year of future minimum rental payments as of August 31, 2009.

		Amount
Year ending August 31:		
2010	$	80,040
2011		81,540
2012		83,040
2013		84,450
2014		86,040
2015 and thereafter		176,580

(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 $56,332 and $56,406 for the years ended August 31, 2009 and 2008, 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 $11,860 and $11,616 for the years ended August 31, 2009 and 2008, respectively. Additionally, the Association's expense under the Health Insurance Program was $217,331 and $205,276 for the years ended August 31, 2009 and 2008, respectively.

(6) Subsequent Events

In connection with the preparation of the financial statements, the Association 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.