



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

Financial Statements

August 31, 2010 and 2009

(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, 2010 and 2009, 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, 2010 and 2009, 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

February 4, 2011

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

Statements of Financial Position

August 31, 2010 and 2009

Assets	2010	2009
Cash and cash equivalents	\$ 99,494	2,655
Investments (note 3)	1,852,642	1,990,271
Accounts receivable:		
Advertisers and others, less allowance for doubtful accounts of \$17,700 and \$16,000 in 2010 and 2009, respectively	94,143	88,785
Parishes, less allowance for doubtful accounts of \$195,000 and \$164,000 in 2010 and 2009, respectively	—	128,020
Property and equipment, net (note 4)	238,798	231,805
Other assets	9,670	9,660
Total assets	\$ 2,294,747	2,451,196
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 206,473	241,861
Due to Diocese of Rockville Centre (note 5)	345,641	—
Deferred revenue	—	9,643
Total liabilities	552,114	251,504
Net assets – unrestricted	1,742,633	2,199,692
Total liabilities and net assets	\$ 2,294,747	2,451,196

See accompanying notes to financial statements.

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

Statements of Activities

Years ended August 31, 2010 and 2009

	2010	2009
Revenues:		
Subscriptions:		
Parishes, net of discounts of \$14,576 and \$57,619 in 2010 and 2009, respectively (note 5)	\$ 488,148	1,386,902
Other	19,226	13,869
Total subscriptions	507,374	1,400,771
Investment return	147,480	(83,675)
Advertising	1,159,985	1,265,225
List rental	17,300	9,848
Total revenues	1,832,139	2,592,169
Expenses:		
Program services:		
Editorial	628,730	634,200
Circulation	831,238	844,133
Total program services	1,459,968	1,478,333
Supporting services:		
Management and general	410,734	339,399
Advertising	1,218,496	1,187,351
Total supporting services	1,629,230	1,526,750
Total expenses	3,089,198	3,005,083
Change in net assets before Diocese of Rockville Centre subsidy	(1,257,059)	(412,914)
Diocese of Rockville Centre subsidy (note 5)	800,000	—
Change in net assets	(457,059)	(412,914)
Net assets at beginning of year	2,199,692	2,612,606
Net assets at end of year	\$ 1,742,633	2,199,692

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended August 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (457,059)	(412,914)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	30,795	27,253
Net (appreciation) depreciation in fair value of investments	(147,370)	84,026
Change in accounts receivable	122,662	26,958
Change in other assets	(10)	4,182
Change in accounts payable and accrued expenses	(35,388)	126,055
Change in due to Diocese of Rockville Centre	345,641	—
Change in deferred revenue	(9,643)	(7,576)
Net cash used in operating activities	(150,372)	(152,016)
Cash flows from investing activities:		
Purchases of investments	(226,000)	—
Proceeds from sale of investments	510,999	50,000
Purchase of fixed assets	(37,788)	(8,433)
Net cash provided by investing activities	247,211	41,567
Net increase (decrease) in cash	96,839	(110,449)
Cash and cash equivalents at beginning of year	2,655	113,104
Cash and cash equivalents at end of year	\$ 99,494	2,655

See accompanying notes to financial statements.

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

Notes to Financial Statements

August 31, 2010 and 2009

(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 2010 or 2009.

(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, 2010 and 2009.

(b) Cash Equivalents

Cash equivalents include highly liquid financial instruments with original maturities of three months or less, except for those instruments held for long-term investment purposes.

(c) Fair Value Measurements

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.

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- 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 value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement. The classification of an asset or liability in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating fair value of the asset or liability.

(d) Investments

In 2009, the Association early adopted the measurement provisions of Financial Accounting Standards Board (FASB) 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)* (ASU No. 2009-12), with respect to investments within its scope (including the investments in Unitas). This guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent.

In 2010, the Association adopted the disclosure provisions of ASU No. 2009-12 (note 3). Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Association's interest therein, its classification in Level 2 or 3 is based on the Association's ability to redeem its interest at or near fiscal year-end. If the interest can be redeemed in the near term, the investment is classified as Level 2.

(e) 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 6 years. Library books are depreciated using the straight-line method based upon the estimated useful life of 10 years.

(f) 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.

(g) 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.

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(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 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.

(j) Income Taxes

In 2010, the Association adopted ASU No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities*, in conjunction with its adoption of FASB Interpretation No. 48, *Accounting for Uncertainties in Income Taxes* (FIN 48) (now included in Accounting Standards Codification (ASC) Subtopic 740-10, *Income Taxes – Overall*). In accordance with FIN 48 and ASU No. 2009-06, the Association accounts for uncertainties in income taxes recognized in the organization's financial statements using a threshold of more likely than not. The adoption of FIN 48 and ASU No. 2009-06 had no impact on the Association's financial statements.

(3) Investments

The Association's 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 mission fee is payable to the Association and is recognized by the Association as it is earned. The rates range from 0.05% to 0.50% annually depending upon the investment options chosen. In December 2009, the Unitas Board discontinued the mission fee for the remainder of fiscal year 2010. Effective September 1, 2010, the mission fee was reinstated.

The Association is invested in The Unitas Money Market Fund and The Unitas Balanced Fund, which had balances of \$115,377 and \$1,737,265, respectively, at August 31, 2010 and \$74,264 and \$1,916,007, respectively, at August 31, 2009. The investments in Unitas are Level 2 inputs within the fair value hierarchy.

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The investments in the Unitas Money Market Fund are redeemable daily. The investments in the Unitas Balanced Fund are redeemable quarterly with one day notice.

- a) The Unitas Money Market Fund invests in short-term debt securities and money market instruments.
- b) The Unitas Balanced Fund invests approximately 50% of its assets in the Unitas Total Fixed Income Fund and approximately 50% of its assets in equity securities. The Unitas Total Fixed Income Fund invests the majority of its assets in fixed income securities, mutual funds, and other investment pools that invest in fixed income securities.

(4) Property and Equipment

At August 31, 2010 and 2009, property and equipment consisted of the following:

	2010	2009
Furniture and fixtures	\$ 309,003	271,215
Leasehold improvements	348,085	348,085
Library books	8,495	8,495
	665,583	627,795
Less accumulated depreciation and amortization	(426,785)	(395,990)
	\$ 238,798	231,805

(5) Related-Party Transactions

(a) Rent Obligation

The Association leases its facility from the Diocese under a written agreement, which expires in 2016. The Association paid the Diocese \$6,670 per month or approximately \$80,040 annually during 2010 and \$6,545 per month or approximately \$78,500 annually during 2009.

The following is a schedule by year of future minimum rental payments as of August 31, 2010:

	Amount
Year ending August 31:	
2011	\$ 81,540
2012	83,040
2013	84,450
2014	86,040
2015	87,540
2016	89,040

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(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. Pension expense totaled \$117,288 and \$56,332 for the years ended August 31, 2010 and 2009, 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 \$15,577 and \$11,860 for the years ended August 31, 2010 and 2009, respectively. Additionally, the Association's expense under the Health Insurance Program was \$200,057 and \$217,331 for the years ended August 31, 2010 and 2009, respectively.

(d) Due to Diocese of Rockville Centre

In January 2010, the Association stopped billing parishes for subscription income but continued to distribute the Long Island Catholic to subscribers; and as a result, the Diocese committed to subsidize the Association up to \$1,200,000 in calendar year 2010. For the period through August 31, 2010, the Diocese subsidized the Association in the amount of \$800,000. As of August 31, 2010, the Association had been advanced \$1,145,641.

(6) Subsequent Events

In connection with the preparation of the financial statements, the Association evaluated events subsequent to the balance sheet date of August 31, 2010 and through February 4, 2011, which was the date the financial statements were available to be issued, and concluded that no additional disclosures were required.