HOLTZ
RUBENSTEIN
REMINICK

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

REPORT ON AUDITS OF FINANCIAL STATEMENTS

Years Ended August 31, 2012 and 2011

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

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Directors
Catholic Press Association of the
Diocese of Rockville Centre, Inc.
Rockville Centre, New York

We have audited the statements of financial position of the Catholic Press Association of the Diocese of Rockville Centre, Inc. (the "Association") as of August 31, 2012 and 2011, 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2012 and 2011, and the change in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Association will continue as a going concern. The Association has suffered recurring losses from operations, which raises substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note 6. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Holtz Rubenstein Reminick LLP

Melville, New York
December 13, 2012

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

Statements of Financial Position

August 31,		2012		2011
Assets				
Cash and Cash Equivalents	$	87,140	$	137,007
Accounts Receivable, less allowance for doubtful accounts of $22,335 and $22,758 in 2012 and 2011, respectively		108,672		120,735
Investments (Note 3)		350,793		1,070,192
Prepaid Expenses and Other Current Assets		30,567		30,579
Property and Equipment, net (Note 4)		166,695		209,974
Other Assets		8,271		8,271
Total Assets	$	752,138	$	1,576,758
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	$	95,360	$	233,139
Due to Diocese of Rockville Centre		162,481		21,650
Deferred revenue		-		2,174
Total Liabilities		257,841		256,963
Net Assets:				
Net assets - unrestricted		494,297		1,319,795
Total Liabilities and Net Assets	$	752,138	$	1,576,758

See accompanying notes to financial statements.

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

Statements of Activities

August 31,	2012	2011
Revenues:		
Subscriptions:		
Individuals	$ 470,653	$ 550,970
Other	-	5,021
Total subscriptions	470,653	555,991
Advertising	1,008,606	1,076,218
Investment return	45,601	202,550
List rental	6,770	15,021
Other	123	1,457
Total Revenues	1,531,753	1,851,237
Expenses:		
Program services:		
Editorial	622,023	625,270
Circulation	607,352	645,566
Total program services	1,229,375	1,270,836
Supporting services:		
Management and general	272,330	329,451
Advertising	855,546	1,073,788
Total supporting services	1,127,876	1,403,239
Total Expenses	2,357,251	2,674,075
Decrease in Net Assets before Subsidy from the Diocese of Rockville Centre	(825,498)	(822,838)
Diocese of Rockville Centre Subsidy (Note 5)	-	400,000
Decrease in Net Assets	(825,498)	(422,838)
Net Assets, beginning of year	1,319,795	1,742,633
Net Assets, end of year	$ 494,297	$ 1,319,795

See accompanying notes to financial statements.

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

Statements of Cash Flows

August 31,	2012	2011
Cash Flows from Operating Activities:		
Decrease in net assets	$ (825,498)	$ (422,838)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	50,079	35,624
Net realized and unrealized gain on investments	(28,699)	(202,550)
(Decrease) increase in allowance for doubtful accounts	(423)	5,054
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Prepaid expenses and other current assets	12	(29,180)
Accounts receivable	12,486	(31,646)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(137,779)	34,726
Due to Diocese of Rockville Centre	140,831	(332,051)
Deferred revenue	(2,174)	2,174
Net Cash Used in Operating Activities	(791,165)	(940,687)
Cash Flows from Investing Activities:		
Purchases of investments	(616,902)	(1,050,000)
Proceeds from sale of investments	1,365,000	2,035,000
Purchase of fixed assets	(6,800)	(6,800)
Net Cash Provided by Investing Activities	741,298	978,200
Net (Decrease) Increase in Cash and Cash Equivalents	(49,867)	37,513
Cash and Cash Equivalents, beginning of year	137,007	99,494
Cash and Cash Equivalents, end of year	$ 87,140	$ 137,007

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"). In October 2012, the Association announced a change from a weekly newspaper format to a monthly magazine format. See Note 6 for information.

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 2012 or 2011.

2. Summary of Significant Accounting Policies

(a) ***Basis of presentation*** - The accompanying financial statements have been prepared in accordance with United States 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 - This includes 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 - This includes 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 - This includes 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, 2012 and 2011.

(b) ***Cash and cash equivalents*** - Cash and 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) ***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.

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 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*** - Investments are recorded at fair value. The Association applies the measurement provisions of Financial Accounting Standards Board 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 (see Note 3). 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.

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 Level 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, net*** - 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 equipment 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 ten 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 uncollectible receivables*** - The Association determines whether an allowance for uncollectible receivables should be provided for assessments and other receivables. Such estimates are based on management's assessment of the aged basis of the receivable, current economic conditions, subsequent cash receipts and historical information. Receivables may be written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

(h) ***Use of estimates*** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. Significant items subject to such estimates and assumptions include the useful lives of fixed assets; allowances for doubtful accounts; due to third-party payors; and the valuation of investments.

(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 accordance with Accounting Standards Codification ("ASC") Subtopic 740, *"Income Taxes"*, the Association accounts for uncertainties in income taxes recognized in the financial statements using a threshold of more-likely-than-not. Management evaluated the Association's tax position and concluded that the Association had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of ASC 740.

(k) ***Reclassifications*** - Certain 2011 amounts and descriptions have been reclassified to conform to the 2012 financial statement presentation. These reclassifications have no effect on previously reported changes in net assets.

(l) ***Subsequent events*** - Management has evaluated subsequent events through December 13, 2012, the date the financial statements are available for issuance, for inclusion or disclosure in the 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 rates range from 0.05% to 0.50% 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 $15,733 and $335,060, respectively, at August 31, 2012 and $180,584 and $889,608, respectively, at August 31, 2011. For the years ended August 31, 2012 and 2011, investment fees of $4,679 and $13,241, respectively, were included within net investment return of $45,601 and $202,550, respectively. The investments in Unitas are Level 2 inputs within the fair value hierarchy.

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.

The Unitas Money Market Fund invests in short-term debt securities and money market instruments.

The Unitas Balanced Fund invests approximately 50% of its assets in the Unitas Total Fixed Income Fund and 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, 2012 and 2011, property and equipment consisted of the following:

	2012	2011
Furniture and Equipment	$ 322,603	$ 315,803
Leasehold Improvements	348,085	348,085
Library Books	8,495	8,495
	679,183	672,383
Less Accumulated Depreciation	(512,488)	(462,409)
	$ 166,695	$ 209,974

5. Related-Party Transactions

(a) ***Rent obligation*** - The Association leases its facility from the Diocese under a written agreement. The Association incurred $6,920 per month or approximately $83,040 annually during 2012 and $6,795 per month or approximately $81,540 annually during 2011.

The following is a schedule by year of future minimum rental payments as of August 31, 2012:

Years Ending August 31,	
2013	$ 84,450
2014	86,040
2015	87,540
2016	89,040
	$ 347,070

(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 ASC 715-10-05, *"Employers' Accounting for Pensions"*, as amended by ASC 715-20-55, *"Employers' Disclosures about Pensions and Other Post Retirement Benefits"*. Pension expense totaled $52,765 and $76,480 for the years ended August 31, 2012 and 2011, 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 $13,301 and $9,757 for the years ended August 31, 2012 and 2011, respectively. Additionally, the Association's expense under the Health Insurance Program was $110,856 and $131,250 for the years ended August 31, 2012 and 2011, respectively.

(d) ***Diocese of Rockville Centre subsidy*** - 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 total. In fiscal 2011, the Diocese subsidized the Association $400,000 of that amount.

(e) ***Due to the Diocese of Rockville Centre*** - At August 31, 2012 and 2011, the Association owed the Diocese of Rockville Centre $162,481 and $21,650, respectively, for accrued rental payments, administrative services, and postage.

6. Going Concern

Management plans to operate the Association on a break-even basis and has implemented a business plan that includes a new business model which transitions from a weekly newspaper to a monthly magazine, effective October 10, 2012. Management believes that the new format will generate strong interest from both readers and advertisers. The subscription price has been increased to reflect the enhanced content of the new magazine and greater marketing efforts have been initiated to increase both subscription and advertising revenues. In addition, improved cost controls have been implemented, including staff reductions and reduced printing and postage costs, resulting from the new monthly format.