

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

Rockville Centre, New York

REPORT ON AUDITS OF FINANCIAL STATEMENTS

Including Independent Auditors' Report

For the Years Ended August 31, 2013 and 2012

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

## Contents

*Years Ended August 31, 2013 and 2012*

*Pages*

### Financial Statements

Independent Auditor's Report	1 - 2
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 10

## FINANCIAL STATEMENTS



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## INDEPENDENT AUDITORS' REPORT

Audit Committee of the Roman  
Catholic Diocese of Rockville Centre  
and Catholic Press Association of the  
Diocese of Rockville Centre, Inc.  
Rockville Centre, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Catholic Press Association of the Diocese of Rockville Centre, Inc. (the "Association") which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Audit Committee of the Roman  
Catholic Diocese of Rockville Centre  
and Catholic Press Association of the  
Diocese of Rockville Centre, Inc.

### 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, 2013 and 2012, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of a Matter

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 8. These financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

*Baker Tilly Vinchur Krause, LLP*

Melville, New York  
December 12, 2013

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

## Statements of Financial Position

<i>August 31,</i>	2013	2012
<b>Assets</b>		
Cash and Cash Equivalents	\$ 45,886	\$ 87,140
Accounts Receivable, less allowance for doubtful accounts of \$5,000 and \$22,335 in 2013 and 2012, respectively	41,507	108,672
Investments (Note 3)	43,424	350,793
Prepaid Expenses and Other Current Assets	17,216	30,567
Property and Equipment, net (Note 4)	119,871	166,695
Other Assets	8,271	8,271
<b>Total Assets</b>	<b>\$ 276,175</b>	<b>\$ 752,138</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 70,241	\$ 95,360
Due to Diocese of Rockville Centre	54,550	162,481
<b>Total Liabilities</b>	<b>124,791</b>	<b>257,841</b>
Net Assets:		
Net assets - unrestricted	151,384	494,297
<b>Total Liabilities and Net Assets</b>	<b>\$ 276,175</b>	<b>\$ 752,138</b>

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

## Statements of Activities

<i>Years Ended August 31,</i>	2013	2012
Revenues:		
Contributions	\$ 436,976	\$ 470,653
Advertising	434,100	1,008,606
Donated services income	133,734	131,857
Investment return	1,268	45,601
List rental	5,665	6,770
Other	927	123
<b>Total Revenues</b>	<b>1,012,670</b>	<b>1,663,610</b>
Expenses:		
Program services:		
Editorial (including donated costs of \$114,045 and \$113,240 for the years ended August 31, 2013 and 2012, respectively)	519,695	735,263
Circulation (including donated costs of \$19,689 and \$18,617 for the years ended August 31, 2013 and 2012, respectively)	303,689	625,969
<b>Total program services</b>	<b>823,384</b>	<b>1,361,232</b>
Supporting services:		
Management and general	188,825	272,330
Advertising	343,374	855,546
<b>Total supporting services</b>	<b>532,199</b>	<b>1,127,876</b>
<b>Total Expenses</b>	<b>1,355,583</b>	<b>2,489,108</b>
Decrease in Net Assets	(342,913)	(825,498)
Net Assets, beginning of year	494,297	1,319,795
<b>Net Assets, end of year</b>	<b>\$ 151,384</b>	<b>\$ 494,297</b>

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

## Statements of Cash Flows

<i>Years Ended August 31,</i>	2013	2012
Cash Flows from Operating Activities:		
Decrease in net assets	\$ (342,913)	\$ (825,498)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation	46,824	50,079
Net realized and unrealized gain on investments	(438)	(28,699)
Decrease in allowance for doubtful accounts	(17,335)	(423)
Changes in operating assets and liabilities:		
(Increase) decrease in operating assets:		
Prepaid expenses and other current assets	13,351	12
Accounts receivable	84,500	12,486
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(25,119)	(137,779)
Due to Diocese of Rockville Centre	(107,931)	140,831
Deferred revenue	-	(2,174)
Net Cash Used in Operating Activities	<u>(349,061)</u>	<u>(791,165)</u>
Cash Flows from Investing Activities:		
Purchases of investments	(336,907)	(616,902)
Proceeds from sale of investments	644,714	1,365,000
Purchase of fixed assets	-	(6,800)
Net Cash Provided by Investing Activities	<u>307,807</u>	<u>741,298</u>
Net Decrease in Cash and Cash Equivalents	(41,254)	(49,867)
Cash and Cash Equivalents, beginning of year	87,140	137,007
Cash and Cash Equivalents, end of year	<u>\$ 45,886</u>	<u>\$ 87,140</u>



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

## Notes to Financial Statements

Years Ended August 31, 2013 and 2012

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### 1. Organization

The Catholic Press Association of the Diocese of Rockville Centre, Inc. (the "Association") is the publisher of "The Long Island Catholic", the monthly Catholic magazine of the Roman Catholic Diocese of Rockville Centre (the "Diocese"). In October 2012, the Association changed from a weekly newspaper format to a monthly magazine format. The Association also publishes Fue Fuerza Vida, a Spanish newspaper.

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 2013 or 2012.

### 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, 2013 and 2012.

- (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.

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

## Notes to Financial Statements

Years Ended August 31, 2013 and 2012

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- (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 15 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** - Contribution 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) **Subsequent events** - Management has evaluated subsequent events through December 12, 2013, the date the financial statements are available for issuance, for inclusion or disclosure in the financial statements.

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

## Notes to Financial Statements

*Years Ended August 31, 2013 and 2012*

### 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 both The Unitas Money Market Fund and The Unitas Balanced Fund at August 31, 2012, which had balances of \$15,733 and \$335,060, respectively. During the year ended August 31, 2013, the Association liquidated its investment in The Unitas Balanced Fund. The balance at August 31, 2013 of the Association's investment in The Unitas Money Market Fund is \$43,424. For the years ended August 31, 2013 and 2012, investment fees of \$161 and \$4,679, respectively, were included within net investment income of \$1,268 and \$45,601, 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 fixed income pool and 50% of its assets in the pool of 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, 2013 and 2012, property and equipment, net consisted of the following:

	2013	2012
Furniture and Equipment	\$ 322,603	\$ 322,603
Leasehold Improvements	348,085	348,085
Library Books	8,495	8,495
	<u>679,183</u>	<u>679,183</u>
Less Accumulated Depreciation	(559,312)	(512,488)
	<u>\$ 119,871</u>	<u>\$ 166,695</u>

### 5. Related-Party Transactions

- (a) **Rent obligation** - The Association leases its facility from the Diocese under a written agreement. The Association incurred \$7,045 per month or \$84,540 annually during 2013 and \$6,920 per month or \$83,040 annually during 2012.

The following is a schedule by year of future minimum rental payments as of August 31, 2013:

*Years Ending August 31,*

2014	\$ 43,020
2015	43,770
2016	44,520
	<u>\$ 131,310</u>

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

## Notes to Financial Statements

Years Ended August 31, 2013 and 2012

- (b) **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 \$14,101 and \$13,301 for the years ended August 31, 2013 and 2012, respectively. Additionally, the Association's expense under the Health Insurance Program was \$64,892 and \$110,856 for the years ended August 31, 2013 and 2012, respectively.
- (c) **Due to the Diocese of Rockville Centre** - At August 31, 2013 and 2012, the Association owed the Diocese of Rockville Centre \$54,550 and \$162,481, respectively, for accrued rental payments, administrative services, and postage.

### 6. Pension Plan

The Association is a participant in a pension plan that has been characterized for financial accounting purposes as a multi-employer pension plan (the "Diocesan Plan"), a noncontributory defined benefit plan established by the Diocese. The risks of participating in a multi-employer plan are different from single-employer plans in the following aspects:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating entity stops contributing to the multi-employer plan, the unfunded obligations of the plan may be borne by the remaining participating entities.
- If an entity petitions to stop participating in the multi-employer plan, the entity may be required to pay the plan a withdrawal liability based on the funded status of the plan.

These aspects of multiemployer plan participation are consistent with the manner of administration of the Diocesan Plan. These aspects are not required by law but are part of the Diocesan Plan's administrative practices. Neither the financial accounting treatment of the Diocesan Plan, nor its administrative practices, nor this footnote shall be deemed a representation that the Diocesan Plan is subject to any laws that require the multiemployer plan attributes that are set forth above.

The Diocesan Plan is designed to provide retirement benefits for eligible lay employees of participating Diocesan entities. An employee becomes eligible for participation in the Diocesan Plan upon completion of one year of continuous eligibility service and becomes fully vested upon completion of five years of vesting service. Employees who terminate employment with five or more years of vesting service are entitled to annual pension benefits equal to specified percentages of compensation as defined in the Diocesan Plan.

The Association's retirement plan expense is equal to the required annual contributions to the Diocesan Plan, which is calculated based on actuarially determined methods. Amounts charged to pension costs for the years ended August 31, 2013 and 2012 totaled \$22,366 and \$52,765, respectively, and are included in the accompanying statements of activities. Required annual contributions represent less than five percent of total contributions to the Diocesan Plan.

The following table discloses the name and funded status of the Diocesan Plan as of January 1, 2013 (the date of the latest actuarial valuation), inclusive of the fair value of plan assets as of December 31, 2012:

Legal Name and Plan Number	Plan EIN	Actuarial Present Value of Accumulated Plan Benefits	Fair Value of Plan Assets	Total Net Contributions	Funded Status
Diocese of Rockville Centre Pension Plan, Number 001	27-1715985	\$1,027,475,375	\$997,916,414	\$77,695,620	Greater than 80%

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

## Notes to Financial Statements

*Years Ended August 31, 2013 and 2012*

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The Diocese reserves the right to discontinue contributions at any time and terminate the Diocesan Plan. In the event of termination and discontinuance, the assets of the Diocesan Plan remaining after paying all administrative expenses of the Diocesan Plan will be allocated in accordance with the terms of the Plan for the purpose of paying benefits provided under the Diocesan Plan.

The accumulated benefit obligation and plan assets of the Diocesan Plan are not reflected in the accompanying statements of financial position of the Association.

### **7. Donated Services**

The Diocese provides the Association with donated services, including salaries and certain other editorial and circulation expenses, related to the operations of Fue Fuerza Vida. During the years ended August 31, 2013 and 2012, the Association received donated services of approximately \$134,000 and \$132,000, respectively. The statement of activities for the year ended August 31, 2012 has been restated to reflect such donated services revenue and the corresponding expense.

### **8. Going Concern**

Management implemented a new business plan in fiscal 2013 which transitioned from a weekly newspaper to a monthly magazine in an effort to operate the Association on a break-even basis. The new format has generated strong interest from both readers and advertisers and greater marketing efforts have been implemented. Improved cost controls have also been implemented, resulting in significantly lower operating expenses and year-end deficit as compared to the prior fiscal year.