THE SEMINARY OF THE IMMACULATE CONCEPTION OF THE DIOCESE OF ROCKVILLE CENTRE FINANCIAL STATEMENTS AS OF AUGUST 31, 2013 AND 2012 TOGETHER WITH AUDITOR'S REPORT

THE SEMINARY OF THE IMMACULATE CONCEPTION
OF THE DIOCESE OF ROCKVILLE CENTRE
INDEX TO FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

NawrockiSmith
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To Most Reverend William Murphy
Bishop of the Diocese of Rockville Centre:

Report on the Financial Statements

We have audited the accompanying financial statements of The Seminary of the Immaculate Conception of the Diocese of Rockville Centre (the "Seminary"), which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities and changes in net assets 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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 auditor's 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 auditor considers 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Seminary of the Immaculate Conception of the Diocese of Rockville Centre as of August 31, 2013 and 2012, and the changes 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Melville, New York
November 5, 2013

Nawrocki Smith LLP

THE SEMINARY OF THE IMMACULATE CONCEPTION
OF THE DIOCESE OF ROCKVILLE CENTRE
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and cash equivalents:		
Cash	$ 48,363	$ 88,908
Restricted cash	52,493	65,693
	100,856	154,601
Investments	1,475,619	1,462,772
Accounts receivable	40,485	44,466
Prepaid expenses and other assets	54,661	108,609
Property and equipment, net of accumulated depreciation of $6,795,809 and $6,617,418, respectively	1,176,092	1,243,364
Total assets	$ 2,847,713	$ 3,013,812
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 121,633	$ 133,798
Accrued payroll and employee benefits	151,227	148,571
Deferred revenue and other liabilities	13,081	36,691
Due to related party	21,750	-
Funds held for others	52,493	65,693
Total liabilities	360,184	384,753
Net assets:		
Unrestricted -		
Plant	1,176,092	1,243,364
Designated	186,749	215,854
Undesignated	-	57,242
Total unrestricted net assets	1,362,841	1,516,460
Temporarily restricted	196,485	184,396
Permanently restricted	928,203	928,203
Total net assets	2,487,529	2,629,059
Total liabilities and net assets	$ 2,847,713	$ 3,013,812

The accompanying notes to financial statements
are an integral part of these statements.

THE SEMINARY OF THE IMMACULATE CONCEPTION
OF THE DIOCESE OF ROCKVILLE CENTRE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition -		
Other tuition	$ 273,075	$ 241,617
Diocese of Rockville Centre	-	329,200
Diocese of Brooklyn	-	320,250
Less: financial grants	(22,950)	(17,000)
Net tuition	250,125	874,067
Contributions from the Diocese of Rockville Centre	1,626,626	1,228,139
Outside activities	634,914	457,371
Special events	321,348	402,818
Rental income	288,434	248,074
Donations and gifts	118,290	365,984
Contributed services	82,720	357,486
Miscellaneous	67,940	17,252
Net appreciation in fair value of investments	20,675	20,428
Other income	1,777	3,133
Net assets released from restrictions	28,220	76,713
Total operating revenues	3,441,069	4,051,465
Expenses:		
Instruction	247,793	757,451
Academic support	510,130	408,844
Student services	390,870	557,832
Institutional services	820,107	881,002
Auxiliary services	1,491	1,137
Buildings and grounds	1,624,297	1,533,517
Total operating expenses	3,594,688	4,139,783
Decrease in unrestricted net assets	(153,619)	(88,318)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Net appreciation in fair value of investments	22,021	20,635
Donations and gifts	18,288	17,745
Net assets released from restrictions	(28,220)	(76,713)
Increase (decrease) in temporarily restricted net assets	12,089	(38,333)
CHANGE IN NET ASSETS	(141,530)	(126,651)
NET ASSETS, BEGINNING OF YEAR	2,629,059	2,755,710
NET ASSETS, END OF YEAR	$ 2,487,529	$ 2,629,059

The accompanying notes to financial statements
are an integral part of these statements.

THE SEMINARY OF THE IMMACULATE CONCEPTION
OF THE DIOCESE OF ROCKVILLE CENTRE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (141,530)	$ (126,651)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	178,391	175,881
(Increase) decrease in accounts receivable	3,981	(23,148)
(Increase) decrease in prepaid expenses and other assets	53,948	(34,927)
Increase (decrease) in accounts payable and accrued expenses	(12,165)	66,309
Increase in accrued payroll and employee benefits	2,656	13,289
Increase (decrease) in deferred revenue and other liabilities	(23,610)	7,906
Increase in due to related party	21,750	-
Increase (decrease) in funds held for others	(13,200)	65,693
Net cash provided by operating activities	70,221	144,352
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(287,115)	(144,230)
Sale of investments	274,268	371,513
Purchase of property and equipment	(111,119)	(228,106)
Net cash used by investing activities	(123,966)	(823)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(53,745)	143,529
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	154,601	11,072
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 100,856	$ 154,601

The accompanying notes to financial statements
are an integral part of these statements.

(1) Organization

The Seminary of the Immaculate Conception of the Diocese of Rockville Centre (the "Seminary") is an institution of formation in the Catholic faith, originally established as an institution of higher learning for the purpose of training young men for the priesthood. The Seminary is a nonprofit religious institution exempt from Federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code and a similar provision of the New York State income tax law.

On November 10, 2011, the Diocese of Rockville Centre, Archdiocese of New York and Diocese of Brooklyn announced the formation of a joint operating agreement to create a single program for priestly formation for their three dioceses and beyond, a new program for the ongoing theological and spiritual enrichment of priests and permanent deacons, and a centralization of lay ministry and programs to support the New Evangelization. Each diocese retained ownership of their respective institutions and established the Saint Charles Borromeo Inter-Diocesan Partnership Council for Spiritual and Theological Formation (the "IDP"). The work of the IDP was funded by the three dioceses, with each diocese contributing equally, in the amount of $49,427 for a total of $148,281 which is being maintained by the Seminary. As of August 31 2013 and 2012, $52,493 and $65,693, respectively, remained in this account, and is reflected in the accompanying financial statements as restricted cash and "funds held for others".

The Sacred Heart Institute for Ongoing Formation of Clergy (the "Institute") was formed by the IDP and is located at the Seminary. The Institute is a separately incorporated entity and conducts programs of ongoing formation of priests and deacons for the three dioceses. The Institute is operated under the control and authority of the Cardinal and two Bishops of the three dioceses.

The Seminary is economically dependent on the Diocese of Rockville Centre (the "Diocese") for continued financial support. As such, the Seminary's activities are supported by contributions and subsidies from the Diocese. All or a portion of the contributions provided by the Diocese are derived from Catholic Ministries Appeal donations. For the year ended August 31, 2012, the Administrative Offices of the Diocese paid the tuition and health insurance for the Rockville Centre seminarians enrolled at the Seminary and classified these expenses as "subsidy" on its books. The total of the Diocesan subsidy and contributions for the years ended August 31, 2013 and 2012 is as follows:

	2013	2012
Contributions	$1,626,626	$1,228,139
Tuition	-	329,200
Health insurance	-	93,894
	$1,626,626	$1,651,233

(2) Summary of significant accounting policies:

The accompanying financial statements include the assets, liabilities, revenues and expenses of the Seminary which are presented under the accrual basis of accounting. The following is a summary of significant accounting policies followed by the Seminary:

Financial statement presentation -

The accompanying financial statements reflect the accounts of the Seminary's programs, administration and fundraising. The Seminary presents its financial statements in accordance with U.S. generally accepted accounting principles which requires that the Seminary's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets and changes in net assets. The Seminary's net assets consist of the following:

Unrestricted - net assets of the Seminary that are not subject to donor imposed restrictions.

Temporarily restricted - net assets of the Seminary which 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 Seminary pursuant to those stipulations. Temporarily restricted revenue, whose restriction is satisfied within the same fiscal year as the receipt of funds, is recorded as unrestricted.

Permanently restricted - net assets of the Seminary donated with stipulations that they be invested to provide a permanent source of income based upon the invested principal which must remain intact. Income earned from these funds is generally available for expenditures according to donor-imposed restrictions, if any.

As required by U.S. generally accepted accounting principles, the Seminary has also presented Statements of Cash Flows for the years ended August 31, 2013 and 2012.

Cash -

Cash includes cash held in operating and custodial accounts.

Investments -

The Seminary invests in Unitas Investment Fund, Inc. ("Unitas"), a separately incorporated, non-regulated investment fund organized by the Diocese and operated exclusively for religious, charitable and educational purposes. As of August 31, 2013 and 2012, respectively, the cost of the Seminary's investment in Unitas approximated 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 Seminary follows U.S. generally accepted accounting principles regarding fair value measurements which establish a fair value hierarchy requiring an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

Allowance for uncollectible receivables -

The Seminary determines whether an allowance for uncollectible receivables should be provided for tuition, pledges and other receivables. Such estimates are based on management's assessment of the aged basis of the receivables, current economic conditions, subsequent cash receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Property and equipment -

Property and equipment are capitalized at cost or, if donated, at fair market value as of the date of receipt. Depreciation is computed by using the straight-line method over the estimated useful lives of the assets as follows:

Land	N/A
Buildings and building improvements	10-20 years
Automobiles	5 years
Furniture and equipment	3 years
Computer hardware and software	3 years
Artwork	N/A

Conditional asset retirement obligations -

U.S. generally accepted accounting principles require the Seminary to recognize the fair value of its legal obligation to perform an asset retirement activity, even though uncertainty exists about the timing and/or method of settlement, if and when the fair value of the liability can be reasonably estimated. The Diocese is accepting financial responsibility for any such asset retirement obligations pertaining to the Seminary.

Impairment of long-lived assets and long-lived assets to be disposed of -

The Seminary follows the provisions of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") on accounting for the impairment or disposal of long-lived assets. It requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

These principles did not have an impact on the Seminary's financial position, results of activities or liquidity during the years ended August 31, 2013 and 2012.

Accrued vacation and sick pay -

The Seminary is obligated to pay one half of the accumulated sick pay (maximum accumulation of 60 days) at the current salary level upon retirement of employees with 10 years or more of service in the Diocese. No reimbursement will be made to employees who have accumulated less than 60 sick days. The Seminary is also obligated to pay accumulated vacation pay at the current salary level upon retirement or termination of employees. At the end of each year, any annual leave in excess of two years is converted to sick time.

Revenue and expense recognition -

Revenues are generally recognized when earned and expenses are generally recognized when incurred.

Contributions, including unconditional promises to give, 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 at date of contribution.

Tuition -

Tuition income is recognized as revenue during the school year to which it relates. Income received prior to year-end for subsequent semesters is recorded as deferred revenue.

Throughout the year, accounts receivable consist primarily of receivables for student tuition for the school year.

Contributed services -

Contributed services of religious employees have been recognized in the accompanying financial statements. The computation of these services represents the difference between the compensation paid to religious employees and the comparable compensation which would be paid to lay persons if lay persons were to occupy these positions.

A number of volunteers have donated significant amounts of their time in the Seminary's program services, administration and fundraising campaigns. However, since these services do not meet the criteria for recognition under U.S. generally accepted accounting principles, they are not reflected in the accompanying financial statements.

Outside activities -

The Seminary's facilities are used for outside activities by religious entities and other not-for-profit entities throughout the year. The income related to such auxiliary services is included in outside activities with the related costs of food, salaries and other expenses reflected as auxiliary services expense in the accompanying Statements of Activities.

Program and support services -

The following program and support services are included in the accompanying financial statements:

Instruction -

Instruction expenses are those expenses that are directly related to the instruction of the Seminary's students, including faculty payroll and benefits and educational technology.

Academic support -

Academic support expenses are those expenses incurred in support of the academic mission of the Seminary. It includes the costs of the library, the offices of the registrar and bursar and an allocation of depreciation expense.

Student services -

Student services expenses are those expenses incurred for the benefit of the students studying at the Seminary.

Institutional services -

Institutional services expenses are those expenses incurred in support of the rectors office, general operations and administration of the Seminary including fundraising expenses.

Auxiliary services -

Auxiliary services expenses are those expenses incurred that do not directly relate to the educational mission of the Seminary. These expenses include expenses for outside activities such as the rental of the building and grounds to outside groups.

Accounting for uncertainty in income taxes -

The Seminary follows the provisions of FASB ASC 740-10-25 which prescribe a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken, including positions that an organization is exempt from income taxes or not subject to income taxes on unrelated business income. The Seminary has determined that its tax positions meet the more-likely-than-not recognition threshold and, therefore, no adjustment was required.

The use of estimates in the preparation of financial statements -

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 reported period. Actual results may differ from those estimates.

Summarized comparative information -

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Seminary's financial statements for the year ended August 31, 2012, from which the summarized information was derived.

Reclassifications -

Certain reclassifications of the prior year's balances have been made to conform to the current year presentation.

(3) Investments

As of August 31, 2013 and 2012, the cost of the Seminary's investment in Unitas approximated fair value. The Seminary had the following investments held in Unitas at August 31, 2013 and 2012:

	2013	2012
Unrestricted accounts	$ 164,182	$ 136,094
Designated account	186,749	215,854
Temporarily restricted accounts	196,485	182,621
Permanently restricted accounts	928,203	928,203
	$ 1,475,619	$ 1,462,772

Unrestricted and designated funds in Unitas primarily support the general operations and capital improvements of the Seminary. Temporarily restricted funds in Unitas support the capital improvements and student aid of the Seminary. Income from permanently restricted funds in Unitas primarily supports the general operations of the Seminary.

(4) Fair value measurements:

The FASB's *Fair Value Measurement* standard clarifies the definition of fair value for financial reporting, establishes framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Seminary has adopted the standard for its financial assets and liabilities measured on a recurring and nonrecurring basis (ASC 820-10).

The following methods and assumptions were used by the Seminary in addressing the fair value of financial instruments:

Cash and cash equivalents -

The carrying amounts reported on the Statements of Financial Position for cash and cash equivalents approximate those assets' fair values.

Investments -

Fair Value Measurement defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. The three levels of fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reported 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.

- Unitas Money Market Fund invests in short-term debt securities and money market instruments.
- The Unitas Balance Fund invests approximately 50% of its assets in the fixed income pool and approximately 50% of its assets in the pool of equity securities.
- The Unitas Equity-Weighted Fund invests approximately 40% of its assets in the fixed income pool and approximately 60% of its assets in the pool of equity securities.

The following table represents the Seminary's fair value hierarchy for investments in Unitas at fair value as of August 31, 2013 and 2012:

	Fair value	Level 1	Level 2	Level 3
2013	$1,475,619	$ -	$1,475,619	$ -
2012	1,462,772	-	1,462,772	-

As of August 31, 2013 and 2012, the Seminary did not possess any level 1 or level 3 types of investments.

Accrued expenses -

The carrying amounts of accrued expenses approximate their fair value due to their short-term nature.

(5) Property and equipment

The Diocese has title to certain property utilized by other entities within the Diocese. The asset and related depreciation are recorded by the entities using such assets. The Diocese has title to the land and buildings that houses the Seminary and, accordingly, the Seminary includes the land and buildings and related depreciation expense in the accompanying financial statements.

The following represents the major classes of fixed assets as of August 31, 2013 and 2012:

	2013	2012
Land	$ 300,000	$ 300,000
Buildings and building improvements	5,737,265	5,654,929
Furniture, equipment and computer equipment	1,796,581	1,767,798
Artwork	138,055	138,055
	7,971,901	7,860,782
Less: accumulated depreciation	6,795,809	6,617,418
	$ 1,176,092	$ 1,243,364

(6) Temporarily restricted and permanently restricted net assets

Temporarily restricted and permanently restricted net assets as of August 31, 2013 and 2012 are comprised of the following:

	2013	2012
Temporarily restricted net assets -		
Seminarian Welfare Fund	$ 98,726	$ 101,987
McKenna Fund	25,808	25,747
Library Fund	12,191	8,179
Bevilacqua Lecture Fund	11,469	11,617

Schneider Fund	10,558	10,533
Other various	37,733	26,333
Total temporarily restricted net assets	196,485	184,396
Permanently restricted net assets -		
Seminary Endowment	597,108	597,108
Msgr. Denzer Endowment	169,795	169,795
Don Monti Endowment	150,000	150,000
Virdone Endowment	10,000	10,000
John Paul II Endowment	1,300	1,300
Total permanently restricted net assets	928,203	928,203
Total restricted net assets	$ 1,124,688	$ 1,112,599

In 1986, the Seminary received a gift from the Diocese through the urging of Bishop McGann and the Board of Governors to start an endowment fund. It is a restricted fund. Monies are used to form a stable capital and are not invaded for capital improvements, operating expenses or any other purpose. The stable capital is to be prudently invested by the Seminary in order to maximize the investment. Investment return is to be used to defray annual operating and capital expenses.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires the Seminary to retain as a fund of perpetual duration. There were no such deficiencies as of August 31, 2013.

The Seminary 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 Prudent Management of Institutional Funds Act ("UPMIFA") 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 Seminary classifies as permanently restricted net assets (a) the original value of gifts donated 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.

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

Changes in endowment net assets for the years ended August 31, 2013 and 2012 are as follows:

	2013	2012
Endowment net assets, beginning of year	$ 928,203	$ 928,203
Net gain	20,675	20,428
Endowment appropriations	(20,675)	(20,428)
Endowment net assets, end of year	$ 928,203	$ 928,203

(7) Pension plans

The Seminary is a participant in certain pension plans that have been characterized for financial accounting purposes as multiemployer pension plans (the "Diocesan Plans"). The Diocese Pension Plan (the "Lay Pension Plan") and the Diocese Retirement Plan for Diocesan Priests (the "Priests' Pension Plan") are noncontributory defined benefit plans established by the Diocese. The risks of participating in multiemployer plans are different from single-employer plans in the following aspects:

- Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating entity stops contributing to the multiemployer plan, the unfunded obligations of the plan may be borne by the remaining participating entities.
- If an entity petitions to stop participating in the multiemployer 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 Plans, and are not required by law but are part of the Diocesan Plans' administrative practices. Neither the financial accounting treatment of the Diocesan Plans, nor their administrative practices, shall be deemed a representation that the Diocesan Plans are subject to any laws that require the multiemployer plan attributes that are set forth above.

The Lay Pension Plan is designed to provide retirement benefits for eligible lay employees of participating Diocesan entities. An employee becomes eligible for participation in the Lay Pension 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 Lay Pension Plan.

The Priests' Pension Plan is designed to assist eligible Diocesan priests with security at retirement by providing regular retirement income and housing allowances based on periods of active Diocesan ministry. With certain exceptions (i.e. members of a religious community), a priest who is either incardinated into the Diocese, or is on an official Diocesan assignment within the Diocese, is eligible to participate in the Priests' Pension Plan. Upon attaining age 72 (age 70 prior to January 1, 2013) with ten aggregate years of Diocesan service, a participant is eligible to receive a benefit from the plan provided his retirement from active ministry is approved by the Diocesan Bishop.

The Seminary's retirement plan expense is equal to the required annual contributions to the Diocesan Plans, which is calculated based on actuarially determined methods. Amounts charged to pension costs for the years ended August 31, 2013 and 2012 totaled $114,108 and $123,548, respectively, and are included in the accompanying Statements of Activities. Required annual contributions represent less than one percent of total contributions to the Diocesan Plans.

The following table discloses the name and funded status of the Diocesan Plans 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%
Diocese of Rockville Centre Qualified Retirement Plan for Diocesan Priests, Number 002	27-2811466	$30,041,443	$26,602,273	$1,823,178	Greater than 80%

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

The accumulated benefit obligation and plan assets of the Diocesan Plans are not reflected in the accompanying Statements of Financial Position of the Seminary.

(8) Postretirement Benefit Plans

The Seminary is a participant in a postretirement benefit plan that has been characterized for financial accounting purposes as a multiemployer postretirement benefit plan (the "Diocesan Postretirement Plan"), a noncontributory health and welfare plan established by the Diocese.

The Diocesan Postretirement Plan is designed to provide welfare benefits for eligible retired and disabled priests and to provide them with care and assistance. The benefits available consists of medical, dental, life insurance, automobile insurance, disability coverage and an allowance for annual retreats and certain eligible education.

The following table discloses the employer contribution rate, the number of employees covered by the Seminary and total employer contributions for the years ended August 31, 2013 and 2012.

	2013	2012
Employer contribution rate	$11,600 annually per priest	$10,800 annually per priest
Number of participants covered	One (1)	Four (4)
Total employer contributions	$11,600	$43,200

(9) Related party considerations

The Seminary is insured with regard to property and casualty insurance through the Protected Self Insurance Program of the Diocese ("PSIP"), a related party. The Health and Welfare Benefits Program of the Diocese ("HWBP"), a related party, also exists to provide health coverage to the Seminary's employees. Insurance premiums charged by the PSIP to the Seminary totaled approximately $167,000 and $186,000 for the years ended August 31, 2013 and 2012, respectively. The Seminary incurred insurance premiums to the HWBP of approximately $377,000 and $239,000 for the years ended August 31, 2013 and 2012, respectively.

The Diocese rents space from the Seminary. Rental income received from the Diocese was approximately $72,000 and $96,000 for the years ended August 31, 2013 and 2012, respectively.

The Institute, which was formed by the IDP, began operating and incurring expenses on July 1, 2012. During the fiscal period ended August 31, 2013, the Institute was funded with monies from the IDP in the amount of approximately $50,000. The Institute also received funds from the Seminary during that same fiscal period.

Certain employees of the Seminary work solely for the Institute and receive their compensation and benefits from the Seminary. The Institute reimbursed the Seminary approximately $163,000 for payroll and employee benefit related expenses incurred on behalf of the Institute. Certain employees of the Seminary perform the accounting and management functions for the Institute. For the year ended August 31, 2013 the Seminary received administrative revenue, in the amount of $34,820, for performing the various functions on behalf of the Institute. As of August 31 2013, the Institute advanced the Seminary $21,750 in excess of its expenses, and accordingly is reflected in the accompanying financial statements as "due to related party".

(10) Commitments

The Seminary is obligated under various operating leases for equipment. Future minimum lease payments for all non-cancellable operating leases at August 31, 2013 are as follows:

Year ending August 31,	
2014	$ 13,114
2015	13,836
2016	12,776
2017	2,408
	$ 42,134

(11) Concentrations of credit risk

The Seminary maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Seminary has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

(12) Recent accounting pronouncements

New accounting standards are now issued by the FASB through Accounting Standards Updates ("ASU's") to the FASB ASC. The FASB does not consider the updates authoritative on a standalone basis; they become authoritative when incorporated into the ASC. The ASU's are in a six-digit, two-segment format (20YY-XX) where YY is the year issued and XX is the sequential number of each update. The following are recent accounting pronouncements requiring consideration by the Seminary:

Financial Instruments (Topic 825): Clarifying the Scope and Applicability of a Particular Disclosure to Nonpublic Entities ("ASU 2013-03") - Issued in March 2013, this ASU was issued to clarify the scope and applicability of a particular disclosure to nonpublic entities resulted from the issuance of ASU 2011-04, *Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs.* The provisions of this ASU were effective upon issuance and did not affect the Seminary's financial statements for the year ended August 31, 2013.

Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows ("ASU 2012-05") - Issued in October 2012 to address the diversity in practice about how to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets without any imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities unless the donor restricted the use of the contributed resources, in which those cash receipts should be considered cash flows from financing activities. The Seminary is currently studying this ASU and plans on adoption when required, which will be for the year ended August 31, 2015 financial statements.

Technical Corrections and Improvements ("ASU 2012-04") - Issued in April 2012, this ASU represents changes to clarify the ASC, correct unintended application of guidance, or make minor improvements to the ASC that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities. Additionally, the amendments will make the ASC easier to understand and the fair value measurement guidance easier to apply by eliminating inconsistencies and providing needed clarifications. The Seminary is currently studying this ASU and plans on adoption when required, which will be for the year ended August 31, 2014 financial statements.

(13) Subsequent events

The Seminary has evaluated subsequent events through November 5, 2013, which is the date the financial statements were available to be issued, noting no matters requiring further consideration.

THE SEMINARY OF THE IMMACULATE CONCEPTION
OF THE DIOCESE OF ROCKVILLE CENTRE
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2013
(With Summarized Totals For August 31, 2012)

	Instruction	Academic Support	Student Services	Institutional Services	Auxiliary Services	Buildings and Grounds	2013	2012
Salaries, including contributed services	$ 159,275	$ 275,103	$ -	$ 453,477	$ -	$ 279,476	$ 1,167,331	$ 1,490,362
Utilities	-	-	6,731	-	-	480,500	487,231	414,964
Food	-	-	350,275	-	-	-	350,275	441,626
Employee benefits	40,225	65,369	-	53,818	-	121,421	280,833	361,785
Repairs and maintenance	-	169	21,271	2,866	-	233,991	258,297	202,113
Supplies	-	98,322	95	19,305	-	70,612	188,334	236,810
Insurance	-	-	-	-	-	179,130	179,130	174,171
Faculty and program	21,967	9,320	-	98,177	-	-	129,464	264,996
Payroll taxes - laity	12,389	21,785	-	25,014	-	56,755	115,943	108,892
Pension plan contribution - laity	13,937	26,083	-	27,201	-	29,469	96,690	89,398
Professional fees	-	1,960	-	65,323	-	-	67,283	64,144
Outside activities cost	-	-	-	12,915	-	23,418	36,333	14,214
Telephone	-	1,600	360	15,601	-	1,625	19,186	14,785
Postage, stationary and printing	-	5,542	231	12,077	-	26	17,876	16,942
Miscellaneous	-	38	-	14,978	1,491	-	16,507	16,996
Student aid	-	-	5,584	-	-	-	5,584	48,756
Chapel	-	-	-	-	-	-	-	2,948
Subtotal	247,793	505,291	384,547	800,752	1,491	1,476,423	3,416,297	3,963,902
Depreciation expense	-	4,839	6,323	19,355	-	147,874	178,391	175,881
	$ 247,793	$ 510,130	$ 390,870	$ 820,107	$ 1,491	$ 1,624,297	$ 3,594,688	$ 4,139,783

The accompanying notes to financial statements should be read in conjunction with this schedule.