KPMG

DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Financial Statements

August 31, 2013 and 2012

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

The Most Reverend William F. Murphy, S.T.D., L.H.D.
Bishop of the Roman Catholic Diocese of Rockville Centre:

We have audited the accompanying financial statements of the Diocese of Rockville Centre Administrative Offices, 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 U.S. generally accepted accounting principles; 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 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 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 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 Diocese of Rockville Centre Administrative Offices 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 U.S. generally accepted accounting principles.

Other Matter

As discussed in note 1 to the financial statements, the accompanying financial statements include the activities of certain program units of the Diocese of Rockville Centre Administrative Offices and do not purport to represent the net assets, changes in net assets, and cash flows of the Diocese of Rockville Centre taken as a whole.

KPMG LLP

December 18, 2013

DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Statements of Financial Position

August 31, 2013 and 2012

Assets		**2013**	**2012**
Cash and cash equivalents	$	8,878,703	16,909,444
Investments (notes 3, 7, and 14)		46,600,944	34,214,569
Contributions receivable		888,387	804,545
Receivables from parishes:			
Accounts receivable, net of allowance for doubtful accounts of $4,566,000 and $4,206,000 in 2013 and 2012, respectively		899,633	601,121
Loans receivable, net of allowance for doubtful loans of $2,666,000 and $2,699,000 in 2013 and 2012, respectively (note 5)		208,255	1,398,229
Accounts receivable from other Diocesan entities, net of allowance for doubtful accounts of $1,078,000 and $1,274,200 in 2013 and 2012, respectively (note 10)		275,883	460,338
Property and equipment, net (note 4)		8,475,386	9,183,516
Other assets (notes 10 and 15)		3,896,882	3,263,786
Total assets	$	70,124,073	66,835,548
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	4,239,916	3,603,454
Deferred revenue (note 12)		1,085,471	909,206
Due to related entities (note 14)		2,000,798	1,980,171
Loans payable (note 14)		183,053	1,359,721
Other liabilities (note 7)		183,624	373,033
Funds held for others		837,931	982,361
Asset retirement obligation (note 13)		21,474,646	20,854,920
Total liabilities		30,005,439	30,062,866
Net assets:			
Unrestricted:			
Undesignated		20,704,936	16,972,207
Investment in property and equipment		8,475,386	9,183,516
Total unrestricted		29,180,322	26,155,723
Temporarily restricted (notes 6 and 11)		10,393,290	10,071,937
Permanently restricted (note 11)		545,022	545,022
Total net assets		40,118,634	36,772,682
Total liabilities and net assets	$	70,124,073	66,835,548

See accompanying notes to financial statements.

DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Statement of Activities

Year ended August 31, 2013

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:					
Diocesan assessments from parishes	$	10,318,673	—	—	10,318,673
Non-School assessments from parishes		3,045,321	—	—	3,045,321
Contributions:					
Catholic Ministries Appeal (note 6)		—	10,846,170	—	10,846,170
Religious retirement collections (note 10)		—	1,041,727	—	1,041,727
Other special collections		—	2,483,289	—	2,483,289
Bequests and other		727,310	—	—	727,310
Catholic Cemeteries (note 10)		3,250,000	—	—	3,250,000
Net appreciation (depreciation) in fair value of investments		421,743	(1,109)	—	420,634
Interest and dividends, net of investment fees of $116,526		292,378	3,893	—	296,271
Program fees (note 12)		6,253,611	—	—	6,253,611
Other revenue		1,326,636	—	—	1,326,636
Contributed services		586,883	—	—	586,883
Net assets released from restrictions:					
Catholic Ministries Appeal (note 6)		10,825,550	(10,825,550)	—	—
Religious retirement collections (note 10)		1,070,424	(1,070,424)	—	—
Other		2,156,643	(2,156,643)	—	—
Total revenues		40,275,172	321,353	—	40,596,525
Expenses:					
Program services:					
Grants and subsidies (note 10):					
Non-School assessments		1,670,276	—	—	1,670,276
Schools		790,000	—	—	790,000
High schools		1,426,070	—	—	1,426,070
Catholic Charities (note 6)		1,500,000	—	—	1,500,000
Seminary of the Immaculate Conception		1,699,264	—	—	1,699,264
Sacred Heart Institute		100,000	—	—	100,000
Parishes (note 6)		1,966,797	—	—	1,966,797
Telecare		1,058,153	—	—	1,058,153
Tomorrow’s Hope Foundation		210,000	—	—	210,000
Bad debt expense, net		557,591	—	—	557,591
Other program activities:					
Ministerial (note 10)		5,605,213	—	—	5,605,213
Clergy personnel		3,828,881	—	—	3,828,881
Faith formation		1,543,587	—	—	1,543,587
Education		1,924,149	—	—	1,924,149
Social services		413,903	—	—	413,903
Communications		461,960	—	—	461,960
New evangelization		1,368,935	—	—	1,368,935
Total program services		26,124,779	—	—	26,124,779
Supporting services:					
Administration		7,536,701	—	—	7,536,701
Institutional advancement		1,986,574	—	—	1,986,574
Property-related expenses		1,602,519	—	—	1,602,519
Total supporting services		11,125,794	—	—	11,125,794
Total expenses		37,250,573	—	—	37,250,573
Change in net assets		3,024,599	321,353	—	3,345,952
Net assets, beginning of year		26,155,723	10,071,937	545,022	36,772,682
Net assets, end of year	$	29,180,322	10,393,290	545,022	40,118,634

See accompanying notes to financial statements.

DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Statement of Activities

Year ended August 31, 2012

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues:				
Diocesan assessments from parishes	$ 10,294,512	—	—	10,294,512
Non-School assessments from parishes	2,297,753	—	—	2,297,753
Contributions:				
Catholic Ministries Appeal (note 6)	—	10,635,192	—	10,635,192
Religious retirement collections (note 10)	—	1,065,076	—	1,065,076
Other special collections	—	1,915,394	—	1,915,394
Bequests and other	860,352	—	—	860,352
Catholic Cemeteries (note 10)	3,250,000	—	—	3,250,000
Net appreciation in fair value of investments	519,403	—	—	519,403
Interest and dividends, net of investment fees of $93,122	223,839	70,412	—	294,251
Program fees (note 12)	5,574,038	—	—	5,574,038
Other revenue	1,226,141	—	—	1,226,141
Contributed services	693,288	—	—	693,288
Net loss on disposal of property (note 15)	(203,917)	—	—	(203,917)
Net assets released from restrictions:				
Catholic Ministries Appeal (note 6)	10,510,743	(10,510,743)	—	—
Religious retirement collections (note 10)	1,040,526	(1,040,526)	—	—
Other	1,760,439	(1,760,439)	—	—
Total revenues	38,047,117	374,366	—	38,421,483
Expenses:				
Program services:				
Grants and subsidies (note 10):				
Non-School assessments	1,700,242	—	—	1,700,242
Schools	788,000	—	—	788,000
High schools	1,041,201	—	—	1,041,201
Catholic Charities (note 6)	1,500,000	—	—	1,500,000
Seminary of the Immaculate Conception	1,703,531	—	—	1,703,531
Sacred Heart Institute	49,427	—	—	49,427
Parishes (note 6)	1,963,081	—	—	1,963,081
Telecare	863,561	—	—	863,561
Tomorrow’s Hope Foundation	212,000	—	—	212,000
Bad debt expense	3,057,189	—	—	3,057,189
Other program activities:				
Ministerial (note 10)	4,753,703	—	—	4,753,703
Clergy personnel	3,670,622	—	—	3,670,622
Faith formation	1,564,393	—	—	1,564,393
Education	1,980,931	—	—	1,980,931
Social services	461,534	—	—	461,534
Communications	477,396	—	—	477,396
New evangelization	1,159,736	—	—	1,159,736
Total program services	26,946,547	—	—	26,946,547
Supporting services:				
Administration	7,298,682	—	—	7,298,682
Institutional advancement	1,898,280	—	—	1,898,280
Property-related expenses	1,587,435	—	—	1,587,435
Total supporting services	10,784,397	—	—	10,784,397
Total expenses	37,730,944	—	—	37,730,944
Change in net assets	316,173	374,366	—	690,539
Net assets, beginning of year	25,839,550	9,697,571	545,022	36,082,143
Net assets, end of year	$ 26,155,723	10,071,937	545,022	36,772,682

See accompanying notes to financial statements.

DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES

Statements of Cash Flows

Years ended August 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 3,345,952	690,539
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss on disposal of Diocese properties	—	203,917
Depreciation expense	933,403	917,450
Accretion of asset retirement obligation	619,726	607,424
Net appreciation in fair value of investments	(420,634)	(519,403)
Bad debt expense	557,591	3,057,189
Changes in operating assets and liabilities:		
Contributions receivable	(83,842)	216,926
Accounts receivable	(704,648)	(1,251,550)
Other assets	(633,096)	338,298
Accounts payable and accrued expenses	636,462	(782,767)
Deferred revenue	176,265	(179,997)
Other liabilities	(189,409)	(143,922)
Funds held for others	(144,430)	313,717
Net cash provided by operating activities	4,093,340	3,467,821
Cash flows from investing activities:		
Purchases of investments	(56,302,006)	(42,465,270)
Proceeds from sales of investments	44,336,265	56,922,887
Purchases of property and equipment	(225,273)	(96,448)
New loans issued	(134,379)	(146,203)
Repayments on loans	1,357,353	1,494,692
Net cash (used in) provided by investing activities	(10,968,040)	15,709,658
Cash flows from financing activities:		
Change in accounts payable and accrued expenses due to bank overdraft	—	376,016
Repayments on loans payable	(1,176,668)	(1,390,279)
Change in due to related entities	20,627	(1,998,984)
Net cash used in financing activities	(1,156,041)	(3,013,247)
Net (decrease) increase in cash and cash equivalents	(8,030,741)	16,164,232
Cash and cash equivalents, beginning of year	16,909,444	745,212
Cash and cash equivalents, end of year	$ 8,878,703	16,909,444

See accompanying notes to financial statements.

(1) Organization

The accompanying financial statements include certain funds and accounts of the administrative departments of the Roman Catholic Diocese of Rockville Centre (the Diocese) (collectively, the Administrative Offices). These funds and accounts include Chancery Operations and Plant, Diocesan Loan Account, and Catholic Ministries Appeal.

The Administrative Offices is part of the Roman Catholic Diocese of Rockville Centre, which is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3) and a similar provision of the New York State income tax laws.

The accompanying financial statements do not include the activities of any of the following funds or entities: The Diocese of Rockville Centre Health and Welfare Benefits Program (the Program); the Protected Self-Insurance Program (PSIP); Unitas Investment Fund, Inc. (Unitas); Ecclesia Assurance Company, Inc.; Diocesan Service, Inc.; Propagation of the Faith and Mission Office; Telecare; Catholic Press Association; Seminary of the Immaculate Conception; Catholic Charities; Pension Plans; Postretirement Benefit Plan; Parishes; Elementary and High Schools; Catholic Cemeteries; Tomorrow's Hope Foundation (THF); Pontifical Mission Aid Societies; Catholic Health Services; and Cleary School for the Deaf.

(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, net assets of the Administrative Offices and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met by actions of the Administrative Offices and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Administrative Offices. The Administrative Offices is permitted to use the income earned on the related investments for general or specified operating purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

(b) Contributions

Contributions, including unconditional promises to give (pledges), 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. Contributions receivable are all scheduled to be collected in the next year.

(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 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 the fair value of the asset or liability.

(d) Cash and Cash Equivalents

Cash and cash equivalents include cash and money market funds held in banks as well as temporary cash investments with original maturities of 90 days or less, excluding those amounts held for long-term investment purposes.

(e) Investments

Investments in Unitas funds are reported at net asset value. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Administrative Offices' interest therein, its classification in Level 2 or 3 is based on the Administrative Offices' 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.

(f) Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of contribution, if donated. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of the related assets as follows:

Buildings	20 years
Building improvements:	
Exterior improvements	15 years
Interior improvements	10 years
Equipment and other	3 years

(g) Assessment Revenue

Parish assessments are recorded in the year the parish is assessed by the Diocese. Such assessment revenue is used for the support of Diocesan activities.

(h) Contributed Services

Support arising from contributed services of religious personnel has been recognized in the accompanying financial statements. The amounts recorded represent the difference between stipends and other amounts paid to or on behalf of the religious personnel and the comparable compensation that would be paid to lay persons, if lay persons were to occupy those positions.

(i) Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Administrative Offices have been summarized on a functional basis in the accompanying statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(j) 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.

(k) Risks and Uncertainties

The Administrative Offices 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.

(Continued)

(l) Income Taxes

The Administrative Offices accounts for uncertainties in income taxes recognized in its financial statements using a threshold of more likely than not of being sustained. Income generated from activities unrelated to the Administrative Offices' exempt purpose is subject to tax. The Administrative Offices did not have any material unrelated business income tax liability at August 31, 2013 and 2012.

(m) Recently Adopted Accounting Standards

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-09, *Disclosures about an Employer's Participation in a Multiemployer Plan*. The guidance requires additional qualitative and quantitative disclosures to assist users of the financial statements in understanding the commitments and risks involved in participating in multiemployer pension plans, including the financial health of all of the significant plans in which the employer participates. This ASU does not change the current recognition and measurement guidance for an employer's participation in a multiemployer pension plan. Adoption of this guidance by the Administrative Offices in fiscal 2013 only required additional disclosures (notes 8 and 9) and did not have an impact on the financial position of the Administrative Offices.

In July 2010, the FASB issued ASU 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), which significantly increases disclosures about credit quality of financing receivables and the allowance for credit losses and requires disclosures to be made at a greater level of disaggregation. The Administrative Offices adopted ASU 2010-20 in fiscal 2012, which resulted in increased disclosures related to loans receivable from parishes. (See note 5.)

(n) Reclassifications

Certain 2012 balances have been reclassified to conform to the 2013 presentation.

(3) Investments

A portion of the Administrative Offices' investments are held in pooled investment funds of 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 funds are carried at estimated fair value based principally upon the quoted market prices of the underlying assets of each 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 return over a stated amount. The mission fee is only charged if, net of investment and administrative fees, the return exceeds 12.5 basis points (bps) per month on the Unitas Money Market Fund and the Capital Preservation Fund or 37.5 bps per quarter the Unitas Long-Term Funds (150 bps annualized). Each month/quarter is independent of prior or future months'/quarters' performance when determining if the mission fee has met the assessment criteria. The mission fee to participants in the Unitas Money Market Fund and the Capital Preservation Fund is 0.0042% monthly (0.0500% annualized) while the mission fee to participants in the Unitas Long-Term Funds is 0.1250% quarterly (0.5000% annualized).

The following tables present the fair value hierarchy of investments for the Administrative Offices as of August 31, 2013 and 2012:

	Fair value measurements at August 31, 2013			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash equivalents	$ 19,346,701	19,346,701	—	—
Unitas Money Market Fund (a)	9,643,238	—	9,643,238	—
Unitas Capital Preservation Fund (b)	10,180,887	—	10,180,887	—
Unitas Balanced Fund (c)	7,430,118	—	7,430,118	—
Total	$ 46,600,944	19,346,701	27,254,243	—

	Fair value measurements at August 31, 2012			
	Total	**Level 1**	**Level 2**	**Level 3**
Cash equivalents	$ 7,742,027	7,742,027	—	—
Unitas Money Market Fund (a)	9,538,338	—	9,538,338	—
Unitas Capital Preservation Fund (b)	10,196,872	—	10,196,872	—
Unitas Balanced Fund (c)	6,737,332	—	6,737,332	—
Total	$ 34,214,569	7,742,027	26,472,542	—

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

(b) The Unitas Capital Preservation Fund invests in a combination of money market securities and short-term investment-grade fixed income securities.

(c) The Unitas Balanced 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 Total Fixed Income Fund invests the majority of its assets in fixed income securities, as well as mutual funds and other investment pools that invest in fixed income securities.

The investments in the Unitas Money Market Fund are redeemable daily with one day's notice. The investments in the Unitas Capital Preservation Fund are redeemable monthly with one day's notice and the investments in the Unitas Balanced Fund are redeemable quarterly with one day's notice.

There were no transfers between levels during the years ended August 31, 2013 and 2012.

(4) Property and Equipment

At August 31, 2013 and 2012, property and equipment, net consisted of the following:

		2013	2012
Land	$	563,884	563,884
Building and improvements		22,444,915	22,444,915
Equipment and other		6,703,026	6,477,753
		29,711,825	29,486,552
Less accumulated depreciation		(21,236,439)	(20,303,036)
Total	$	8,475,386	9,183,516

(5) Loans Receivable

Loans to parishes generally bear interest equal to 85% of the prime rate, calculated on a quarterly basis. Principal payments may be scheduled monthly, quarterly, annually, or at maturity only; such terms are negotiated on a loan-by-loan basis between the Diocese and the individual parish. Parishes retain the right to prepay their loans at any time without penalty. The Diocese retains the right to renegotiate a loan at any time prior to maturity.

The Administrative Offices determines whether an allowance for uncollectible loans receivable should be provided for. 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 may be written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

		2013	2012
Gross loans receivable, beginning of year	$	4,097,229	5,445,718
Loans made		134,379	143,225
Repayments received		(1,357,353)	(1,491,714)
Gross loans receivable, end of year		2,874,255	4,097,229
Allowance for doubtful loans, beginning of year		2,699,000	1,852,000
(Recovery) bad debt expense		(33,000)	847,000
Allowance for doubtful loans, end of year		2,666,000	2,699,000
Loans receivable, net, end of year	$	208,255	1,398,229

(Continued)

(6) Catholic Ministries Appeal Contributions

The Catholic Ministries Appeal (the Appeal) is an annual fund-raising drive designed to provide ongoing support for the Diocese's most important pastoral and social service functions. Receipts from the Appeal are directed to one of five areas: Catholic Charities, parishes, pastoral ministries, education, and faith formation. All amounts raised from the Appeal are directed to these purposes, as the Diocese underwrites the costs of conducting and executing the Appeal from other unrestricted sources.

The Appeal conducts its campaign on a calendar-year basis. Amounts received for the 2012 Appeal are time restricted to the 2013 fiscal year of the Diocese and, accordingly, are recorded as temporarily restricted revenue. Some of the ministries supported by the Appeal receive their funding as it is received by the Diocese. Accordingly, amounts directed to parishes and Catholic Charities have been expensed to the extent of their entitlements, based on the cash received to that date. Amounts related to the 2013 Appeal are included in temporarily restricted net assets as these amounts are restricted for the 2014 fiscal year.

The following reconciliation provides the changes in the Appeal's net assets (temporarily restricted) for the years ended August 31, 2013 and 2012:

Appeal restricted net assets at August 31, 2012	$ 7,086,862
Additional contributions received in fiscal 2013 related to 2012 Appeal	1,227,408
	8,314,270
Distributions from 2012 Appeal:	
Parishes	(1,013,018)
Pastoral ministries, education, and faith formation	(7,298,753)
	(8,311,771)
Contributions through August 31, 2013 for the 2013 Appeal	9,618,762
Distributions from 2013 Appeal:	
Catholic Charities	(1,500,000)
Parishes	(953,779)
Other remittances	(60,000)
	(2,513,779)
Appeal net assets at August 31, 2013	$ 7,107,482

Appeal restricted net assets at August 31, 2011	$	6,962,413
Additional contributions received in fiscal 2012 related to 2011 Appeal		1,041,538
		8,003,951
Distributions from 2011 Appeal:		
Parishes		(1,021,289)
Pastoral ministries, education, and faith formation		(6,982,662)
		(8,003,951)
Contributions through August 31, 2012 for the 2012 Appeal		9,593,654
Distributions from 2012 Appeal:		
Catholic Charities		(1,500,000)
Parishes		(941,792)
Other remittances		(65,000)
		(2,506,792)
Appeal net assets at August 31, 2012	$	7,086,862

(7) Charitable Gift Annuities

The Administrative Offices' investments include amounts subject to split-interest agreements (charitable gift annuities) of $131,835 and $151,329 at August 31, 2013 and 2012, respectively. Charitable gift annuities represent irrevocable gifts under which the Diocese agrees to pay a life annuity to the donor or designated beneficiary. Donors of such funds can designate the Diocese, parish, or other Catholic entity to be the ultimate recipient of the gift and have agreed that the Diocese will have the ability to redirect funds to a different Diocesan entity, if it becomes impractical to use the gift as originally intended. The contributed funds and the related liabilities immediately become part of the general assets and liabilities of the Diocese, subject to maintaining an actuarial reserve in accordance with New York State law. The actuarial liability of annuities payable of $144,013 and $150,883, respectively, is included in other liabilities.

(8) Pension Plans

The Administrative Offices is a participant in certain pension plans that have been characterized for financial accounting purposes as multiemployer pension plans (the Diocesan Plans). The Diocese of Rockville Centre Pension Plan (the Lay Pension Plan) and the Diocese of Rockville Centre Qualified Retirement Plan for Diocesan Priests (the Priests' Pension Plan) are noncontributory defined benefit plans established by the Diocese. The risks of participating in a multiemployer plan 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. These aspects 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, nor this note 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 (e.g., 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 10 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 Administrative Offices' 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 are $983,600 and $935,800, respectively, and are included in the accompanying statements of activities. Required annual contributions represent less than five percent of total contributions to the Lay Pension Plan and more than 5% of total contributions to the Priests' Pension Plan.

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 Diocesan Plans 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 Administrative Offices.

(9) Postretirement Benefit Plan

The Administrative Offices 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 Administrative Offices, 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
Average number of participants covered	37	34
Total employer contributions	$426,800	$370,300

(10) Related-Entity Transactions

The entities discussed below in (a), (c), (d), (g), and (i) are separate and distinct 501(c)(3) corporations for which the Bishop of the Diocese (and, in certain cases, other personnel of the Diocese) serves as a corporate member.

(a) Catholic Charities

In fiscal 2013 and 2012, the Administrative Offices distributed $1,500,000 to Catholic Charities from the Appeal.

(b) Catholic Schools

In fiscal 2013 and 2012, the Administrative Offices provided grants to parish and regional schools, which are separate and distinct 501(c)(3) corporations, of $790,000 and $788,000, respectively, to assist in their respective operations. The Administrative Offices also provided Diocesan high schools with grants of approximately $1,426,000 and $1,041,000 for the years ended August 31, 2013 and 2012, respectively.

(c) Seminary of the Immaculate Conception

In fiscal 2013 and 2012, the Administrative Offices provided the Diocesan seminary with subsidies of $1,699,264 (comprised of general subsidy of $1,626,626; rental of $30,000; and other purposes of $42,638) and $1,703,531 (comprised of general subsidy of $1,228,138; tuition of $329,200; and health insurance and other purposes of $146,193), respectively.

(d) St. Joseph's Seminary

On November 10, 2011, the Diocese, Archdiocese of New York and Diocese of Brooklyn announced the formation of a joint operating agreement to create a single program of priestly formation for the three dioceses located at St. Joseph's Seminary in Dunwoodie, New York. In fiscal 2013, the seminarians of the Diocese were transferred from the Seminary of the Immaculate Conception to St. Joseph's Seminary. In fiscal 2013, direct tuition payments to St. Joseph's Seminary totaled $423,819, which is included within ministerial expenses.

(e) Parishes

In fiscal 2013 and 2012, the Administrative Offices distributed $1,966,797 and $1,963,081, respectively, to various parishes from the Appeal.

(f) Catholic Cemeteries

In fiscal 2013 and 2012, the Administrative Offices received contributions of $3,250,000 from the Catholic Cemeteries of the Diocese of Rockville Centre in order to help support the Bishop's various ministries.

(g) Telecare of the Diocese of Rockville Centre (Telecare)

The Administrative Offices provided Telecare with subsidies of approximately $1,058,000 and $864,000 in fiscal 2013 and 2012, respectively, to help support the Diocesan television station and pay certain expenses on Telecare's behalf. Gross accounts receivable from other diocesan entities include $459,237 and $742,325 due from Telecare, at August 31, 2013 and 2012, respectively.

In fiscal year 2013, the Administrative Offices provided a conditional contribution to Telecare in the amount of $825,000 to pay off certain debts owed to other Diocesan organizations. The conditional grant was advanced to Telecare in fiscal year 2013 and is being recognized as a subsidy as the conditions are met over a 10 year period consistent with the underlying lease agreement upon which the conditional grant is based. As of August 31, 2013, the balance of the advance totaled $795,896 and is included in other assets.

(h) Insurance and Benefits Departments

The Administrative Offices, parishes, and other Diocesan entities are self-insured with regard to property and casualty insurance through PSIP. The Program also exists to provide health coverage to employees of Diocesan and parish entities. Insurance premiums charged by PSIP to the Administrative Offices totaled approximately $121,920 and $144,800 for the years ended August 31, 2013 and 2012, respectively. Additionally, the Administrative Offices paid health insurance premiums of approximately $2,456,000 and $2,233,000 to the Program for the years ended August 31, 2013 and 2012, respectively.

(i) Tomorrow's Hope Foundation

The Administrative Offices provided THF with subsidies of $210,000 and $212,000 for the years ended August 31, 2013 and 2012, respectively, to help support Catholic schools on Long Island and pay certain expenses on THF's behalf.

(j) Interdiocesan Religious Retirement Fund

The Interdiocesan Religious Retirement Fund was established as a joint effort between the Diocese and the Diocese of Brooklyn to provide for the future needs of elderly priests, brothers, and sisters who serve or have served either of the two Dioceses. For the years ended August 31, 2013 and 2012, the Administrative Offices recorded religious retirement collections of $1,041,727 and $1,065,076, respectively. For the years ended August 31, 2013 and 2012, the amount granted to the religious orders was $1,037,958 (comprised of $844,002 granted to the various religious orders and $193,956 transferred to the Interdiocesan Religious Retirement Fund) and $1,010,225 (comprised of 799,858 granted to the various religious orders and $210,367 transferred to the Interdiocesan Religious Retirement Fund), respectively, which is included within ministerial expenses.

(k) Guarantee on Loans

The Diocese maintains a line of credit for $589,000 with a financial institution for a construction and renovation project undertaken by a parish. The parish is responsible for repayment of any amounts borrowed and the Diocese is a cosigner. The total amount outstanding at August 31, 2013 and 2012 under this line of credit, which expires in 2016, was $364,020 and $401,396, respectively, which is not reflected in the accompanying financial statements.

In 2008 and 2010, the Diocese entered into a guaranty agreement with two financial institutions to guaranty repayment of up to $2,730,000 in financing for construction undertaken by two different parishes. Each parish is responsible for repayment of any amounts borrowed and the Diocese is guarantor. The total amount of the underlying loans outstanding at August 31, 2013 and 2012 was $132,987 and $2,174,646, respectively, which is not reflected in the accompanying financial statements. One loan was fully satisfied in February 2013.

(11) Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at August 31, 2013 and 2012:

		2013	2012
Catholic Ministries Appeal (note 6)	$	7,107,482	7,086,862
Special programmatic collections		1,981,238	1,547,491
Religious retirement		952,181	980,878
Human development		188,734	160,268
Retired religious and priests		23,911	39,989
Seminarians		827	11,417
Educational		136,594	243,659
Care for the elderly		1,739	791
Other		584	582
	$	10,393,290	10,071,937

The income from permanently restricted net assets was available for the following purposes at August 31, 2013 and 2012:

Care for the elderly	$	400,241
Seminarians		54,738
Educational		47,765
Seminary		42,278
	$	545,022

The Administrative Offices' endowment consists of nine individual donor-restricted funds established for a variety of purposes. At August 31, 2013 and 2012, none of the funds' fair value was less than their original fair value (underwater).

The Administrative Offices 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.

(Continued)

The Administrative Offices has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing it to appropriate for expenditure or accumulate so much of an endowment fund as is determined prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets of a donor-restricted endowment fund shall be donor-restricted assets until appropriated by the organization. The Administrative Offices classifies the original value of gifts donated to the permanent endowment as permanently restricted net assets. The remaining portion of a donor-restricted endowment fund is classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

The following tables present the changes in the Administrative Offices' donor-restricted endowment funds for the years ended August 31, 2013 and 2012:

	2013			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets at August 31, 2012	$ —	42,592	545,022	587,614
Investment return, net	—	1,385	—	1,385
Endowment net assets at August 31, 2013	$ —	43,977	545,022	588,999

	2012			
	Unrestricted	**Temporarily restricted**	**Permanently restricted**	**Total**
Endowment net assets at August 31, 2011	$ —	82,033	545,022	627,055
Investment return, net	—	607	—	607
Appropriation of net assets	—	(40,048)	—	(40,048)
Endowment net assets at August 31, 2012	$ —	42,592	545,022	587,614

(12) Leases

In 2006, the Administrative Offices entered into an agreement with an outside wireless cable company so that the company could lease and use specified channels for communication services. Under this agreement, the company made an up-front payment to the Administrative Offices in the amount of $2,500,000, which is recognized on a straight-line basis over the lease term of 10 years. In addition, the company agreed to pay the Administrative Offices a monthly fee of $150,000 over the lease term. For the year ended August 31, 2012, total lease income was $2,050,000 and is included within program fees.

In 2013, the Administrative Offices entered into another agreement with the same company which superseded and replaced the original lease agreement. Under this agreement, the company made an up-front payment to the Administrative Offices in the amount of $825,000, which is recognized on a straight-line basis over the lease term of 10 years. In addition, the company agreed to pay the Administrative Offices a monthly fee of $195,150 over the lease term. For the year ended August 31, 2013, total lease income was $3,174,300 and is included within program fees. Included in total lease income is the remaining balance of the unrecognized up-front payment to the Administrative Offices under the original lease agreement in the amount of $750,000 that was fully recognized in fiscal 2013.

At August 31, 2013 and 2012, total deferred revenue under the agreements was $795,900 and $750,000, respectively.

(13) Asset Retirement Obligation

Costs related to legal obligations to perform certain activities in connection with the retirement, disposal, or abandonment of assets are required to be accrued. The Administrative Offices identified asbestos abatement as a conditional asset retirement obligation. The Administrative Offices is accepting the financial responsibility for such asset retirement obligations for which the Diocese holds title.

(14) Loans Payable

In order to assist several parishes in meeting their short-term needs to finance the payment of the Voluntary Separation Program (VSP), offered by the Administrative Offices and other Diocesan entities, the Diocese secured a four-year financing facility with a bank, consisting of a one-year revolving credit note and a three-year term loan. The rate of interest on the revolving credit note and the term note is a variable rate of 1.00% above interest earned on collateral to secure a loan but no less than 2.25%. The entire facility was collateralized by a $4,000,000 investment account opened at the bank. In fiscal 2012, the collateral account was reduced by $2,000,000. The parishes participating in the VSP loan program have signed notes in favor of the Diocese in order to access the amounts loaned by the bank to the Diocese, carrying interest of 2.50%. These parish loans have a three-year term and prepayment is permitted.

(Continued)

Currently, the funds in the collateral account, held in the name of the Diocese, consist of funds loaned to the Diocese by PSIP and recorded as due to related entities in the accompanying statements of financial position. In order for the PSIP funds to remain in the bank as collateral for the loan to the Diocese, the PSIP board has ratified the arrangement, under the following terms:

(a) Duration of the use of the PSIP funds as collateral will not exceed four years and two months, commencing as of August 27, 2010. The extra two months is to allow for release-of-collateral documents to be executed.

(b) Interest of 1.25% on the PSIP funds in the collateral account will be credited to PSIP in exchange for use of the funds as collateral.

(c) Interest and principal will be paid to PSIP on the maturity date of the loan from the bank to the Diocese.

(d) There will be no penalty for any prematurity crediting of funds back to PSIP or for release of collateral, or any portion thereof, which may be made in increments of $100,000.

In fiscal 2012, the Diocese repaid $2,000,000 to PSIP. In fiscal 2013, no payments were made.

(15) Other Assets

The Administrative Offices owns properties not currently used in its operations that are held for future parish sites. The book value of these properties totals $1,445,728 as of August 31, 2013 and 2012, respectively, which is included within other assets. In fiscal 2012, one of the properties was disposed of resulting in an aggregate net loss of approximately $204,000.

(16) Subsequent Events

In connection with the preparation of the financial statements, the Administrative Offices evaluated events subsequent to August 31, 2013 through December 18, 2013, which was the date the financial statements were available to be issued, and concluded that no additional disclosures were required.