



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

Financial Statements

August 31, 2006

(With Independent Auditors' Report Thereon)

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

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**KPMG LLP**  
345 Park Avenue  
New York, NY 10154

## **Independent Auditors' Report**

The Board of Directors  
Catholic Press Association of the  
Diocese of Rockville Centre, Inc.:

We have audited the accompanying statement of financial position of Catholic Press Association of the Diocese of Rockville Centre, Inc. (the Association) as of August 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Catholic Press Association of the Diocese of Rockville Centre, Inc. as of August 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

April 13, 2007

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

Statement of Financial Position

August 31, 2006

**Assets**

Cash and cash equivalents	\$ 53,905
Investments (note 3)	2,017,296
Accounts receivable:	
Advertisers and other, less allowance for doubtful accounts of \$11,050	132,262
Parishes, less allowance for doubtful accounts of \$127,000	146,522
Property and equipment, net (note 4)	269,869
Other assets	11,315
Total assets	\$ <u>2,631,169</u>

**Liabilities and Net Assets**

Liabilities:	
Accounts payable and accrued expenses	\$ 68,429
Deferred revenue	21,070
Total liabilities	89,499
Net assets - unrestricted	<u>2,541,670</u>
Total liabilities and net assets	\$ <u>2,631,169</u>

See accompanying notes to financial statements.

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

Statement of Activities

Year ended August 31, 2006

Revenues:

Subscriptions:

Parishes, net of discounts of \$87,209	\$ 1,469,483
Other	17,328
Total subscriptions revenue	<u>1,486,811</u>

Investment income:

Interest	513
Net appreciation in fair value of investments	108,849
Total investment income	<u>109,362</u>

Advertising

List rental	1,192,187
	3,608
Total revenues	<u>2,791,968</u>

Expenses:

Program services:

Editorial	592,670
Circulation	650,212
Total program services	<u>1,242,882</u>

Supporting services:

Management and general	323,978
Advertising	1,203,776
Total supporting services	<u>1,527,754</u>

Total expenses	<u>2,770,636</u>
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Increase in net assets	21,332
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Net assets at beginning of year	<u>2,520,338</u>
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Net assets at end of year	\$ <u><u>2,541,670</u></u>
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See accompanying notes to financial statements.

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

Statement of Cash Flows

Year ended August 31, 2006

Cash flows from operating activities:	
Increase in net assets	\$ 21,332
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	36,136
Net appreciation in fair value of investments	(108,849)
Increase in accounts receivable	(16,377)
Decrease in other assets	2,483
Decrease in accounts payable and accrued expenses	(13,926)
Increase in deferred revenue	10,775
Net cash used in operating activities	<u>(68,426)</u>
Cash flows from investing activities:	
Purchase of fixed assets	(6,245)
Proceeds from sale of investments	75,000
Net cash provided by investing activities	<u>68,755</u>
Net increase in cash	329
Cash at beginning of year	<u>53,576</u>
Cash at end of year	\$ <u><u>53,905</u></u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

August 31, 2006

**(1) Organization**

The Catholic Press Association of the Diocese of Rockville Centre, Inc. (the Association) is the publisher of "The Long Island Catholic," the weekly Catholic newspaper of the Roman Catholic Diocese of Rockville Centre (the Diocese).

The Association is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws, except for income not related to its tax-exempt purpose (e.g., revenues from business advertising). No unrelated business income taxes were incurred for the year ended August 31, 2006, as advertising expenses exceeded advertising income.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles using the accrual basis of accounting. Accordingly, the Association's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions, as follows:

*Unrestricted net assets* – include amounts that have not been donor-restricted and are available for use in carrying out the general operations of the Association.

*Temporarily restricted net assets* – include amounts that have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Association pursuant to those stipulations.

*Permanently restricted net assets* – include amounts whereby donors have stipulated that the principal contributed be maintained in perpetuity.

The Association did not have any temporarily or permanently restricted net assets as of and for the year ended August 31, 2006.

**(b) Cash Equivalents**

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) Property and Equipment**

Property and equipment are recorded at cost at date of acquisition or fair value at date of contribution, if donated. Leasehold improvements are amortized over the shorter of the lease term or their estimated useful life, generally 20 years, using the straight-line method. Furniture and fixtures are depreciated using the straight-line method based upon the estimated useful life of 5 years. Library books are depreciated using the straight-line method based upon the estimated useful life of 10 years.

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

Notes to Financial Statements

August 31, 2006

**(d) *Deferred Revenue***

Amounts received in advance of the shipment date are reported as deferred revenue.

**(e) *Revenue Recognition***

Subscription and advertising income is recognized upon shipment of the newspaper.

**(f) *Allowance for Doubtful Accounts***

The Association determines its allowance for doubtful accounts based upon a formula applied to aged accounts, in addition to an assessment of the respective parishes' and advertisers' financial condition.

**(g) *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.

**(3) *Investments***

The Association's investments are in a pooled investment fund held by Unitas Investment Fund, Inc., a separately incorporated, non-regulated investment fund organized to provide investment options to Roman Catholic organizations in the Diocese of Rockville Centre. Unitas offers investment options to participants including a short-term enhanced cash fund, fixed income and equity offerings. The investments in Unitas are carried at 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 .05% to .5% annually depending upon the investment options chosen.

Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

The Association is invested in The Unitas Short-Term Fund and The Unitas Balanced Fund, which at August 31, 2006 had balances of \$121,479 and \$1,895,817, respectively.

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

Notes to Financial Statements

August 31, 2006

**(4) Property and Equipment**

At August 31, 2006, property and equipment consisted of the following:

Furniture and fixtures	\$	319,069
Leasehold improvements		348,085
Library books		8,495
		675,649
Less accumulated depreciation and amortization		(405,780)
	\$	269,869

**(5) Related Party Transactions**

**(a) Rent Obligation**

The Association leases its facility from the Diocese under a verbal agreement. The Association paid the Diocese approximately \$6,400 per month or \$77,000 annually during 2006.

**(b) Pension Plan**

The Association is a participant in the noncontributory lay pension plan, a defined benefit plan, established by the Diocese covering employees who meet certain minimum service requirements. Because the plan is considered a multi-employer plan, it is only subject to certain minimum reporting requirements of Statement of Financial Accounting Standards (SFAS) No. 87, *Employers' Accounting for Pensions*, as amended by SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. As of December 31, 2005 (the most current audited plan year), the plan was fully funded. Pension expense totaled \$93,380 for the year ended August 31, 2006.

**(c) Insurance and Benefits**

The Association has obtained its property and casualty insurance through the Protected Self Insurance Program of the Diocese of Rockville Centre (PSIP). The Association's employees obtain their health insurance through the Health Insurance Program of the Diocese of Rockville Centre (Health Insurance Program). Insurance premiums charged by the PSIP to the Association totaled \$11,603 for the year ended August 31, 2006. Additionally, the Association's expense under the Health Insurance Program was \$188,571 for the year ended August 31, 2006.