

The Diocese of Rockville Centre is pleased to publish its financial statements for the fiscal years ended in 2006. Following the completion of the 2005 audits, the Diocesan Audit Committee and Finance Council approved the appointment of new auditors for many Diocesan entities. KPMG LLP was selected as auditor of the administrative offices, cemeteries, and investment, insurance and media units. Holtz Rubinstein Reminick LLP was appointed as auditor of Catholic Charities and Tomorrow's Hope Foundation. Callaghan Nawrocki LLP, already auditors of the Diocesan high schools, became auditors of the Seminary.

Coincident with the installation of new auditors, several of the financial reporting formats were changed. Most changes were substantive – for some Diocesan entities, the Diocese and its auditors determined that alternative report formats would better fit the nature of the funds under audit. Alternate reporting formats generally meant that expanded audit procedures were applied. In other cases, the audit report format was left intact, but the Diocesan finance staff and the auditors applied a more rigorous and consistent approach to the application of accounting principles.

As a result of the significant reporting and audit changes, most 2006 audit reports cover only that fiscal year. Comparative financial statements will resume with the 2007 reports. Below is a brief synopsis of the financial report of each diocesan entity, including fiscal year performance and notation of any major changes in financial reporting format. A fuller understanding of the changes can be obtained by review of the individual financial reports.

Administrative Offices

The financial statements of the Administrative Offices include Chancery Operations, Plant, Diocesan Loan Account, and the Catholic Ministries Appeal. In 2006, a single-column format has been adopted for the Statement of Financial Position, and a condensed net asset-based presentation style is used for the Statement of Activities. In 2006, total net assets for the Administrative Offices declined from \$80.8 million to \$58.0 million, a decrease of \$22.7 million. \$5.4 million of the decline is attributed to a grant made to the newly created Mission Assistance Corporation; \$4.6 million of the decrease was due to losses in operations (unrestricted net assets); and \$13.4 million was due to a change in accounting principle, specifically, recognition of FASB issued Interpretation No. 47 (FIN 47), *Accounting for Conditional Asset Retirement Obligations*. Under FIN 47, the Administrative Offices recognized its legal obligations toward asbestos abatement as a conditional asset retirement obligation. Temporarily restricted net assets rose by \$0.7 million, and permanently restricted net assets were unchanged.

Unitas Investment Fund, Inc.

Unitas is an investment company operated by the Diocese to facilitate the obligation of Diocesan entities to invest their funds in a manner consistent with Church teachings. The net assets of Unitas belong to its participating entities, such as Diocesan companies, parishes, and schools. The Unitas statements for 2006 have been prepared in accordance with the AICPA's *Audit and Accounting Guide for Investment Companies*.

The fiscal 2006 total return for all Unitas assets was 5.68%. At the close of 2006, Unitas had net assets of \$331.1 million available for participants.

Mission Assistance Corporation

2006 was the first year of operation for the Mission Assistance Corporation (MAC). MAC was formed to assume much of the loan portfolio from the Diocesan Loan Account (DLA), and to provide financial assistance in the form of loans and grants to parishes in need. During 2006, MAC received a \$5.4 million grant from the DLA (part of the Administrative Offices), and it earned an additional \$1.0 million in investment income and “Mission” fees charged to Unitas investors. At year-end, MAC held parish loans of \$1.4 million, and had total unrestricted net assets of \$6.3 million.

Catholic Cemeteries

Catholic Cemeteries include the assets and operations of Holy Rood Cemetery, Holy Sepulchre Cemetery, Queen of All Saints Cemetery and St. Francis de Sales Cemetery. During the 2006 year, the Cemeteries made a \$2.2 million unrestricted contribution to the Administrative Offices. The Cemeteries ended the year with a net increase of \$4.3 million in unrestricted and total net assets.

The 2006 financial statements reflect a restatement of the opening net asset balances. Unrestricted net assets at August 31, 2005 have been restated to include \$55.2 million of permanent maintenance funds previously reported as permanently restricted net assets, as such amounts were received in exchange transactions and do not meet the definition of a permanently restricted contribution. In addition, New York State only regulates such funds when held by other than religious corporations, requiring that such funds be treated as trust funds, prudently invested with the intent of preserving capital and producing a reasonable income. Although Catholic Cemeteries is exempt from the State regulations, it recognizes a written promise to invest the principal of the permanent maintenance fund and to use the income to fund the general maintenance and improvements of the cemetery. At the end of 2006, these funds amounted to \$57.1 million of \$125.7 million in unrestricted net assets. The Cemeteries has \$11,000 in temporarily restricted net assets and no permanently restricted net assets.

Catholic Charities and Affiliates (CC)

The Catholic Charities financial statements include the Catholic Charities agency and its affiliates: the Catholic Charities Support Corporation (CCSC), Catholic Charities Health Systems, and Regina Maternity Services Corp. In 2006, the combined entities had a loss from operations (decrease in unrestricted net assets) of \$1.2 million. Total unrestricted net assets increased by \$0.8 million, due to gains in the investment portfolio of CCSC. Temporarily and permanently restricted net assets of CC and its affiliates increased by \$0.1 million, so that total net assets increased by \$0.9 million, to \$26.7 million at year end. In 2006, Catholic Charities recognized receipt of \$2.4 million in assistance from the Diocesan CMA program.

Catholic Press Association

The Catholic Press Association is the publisher of “The Long Island Catholic” weekly newspaper. In 2006, the Press had a small increase in unrestricted net assets of

\$21,000, leaving its total net assets relatively flat at \$2.5 million. The Press has no temporarily or permanently restricted net assets.

Telecare

Telecare operates the Diocesan television station, which broadcasts religious educational and spiritual programs on Long Island. In 2006, Telecare had a net operating loss of \$2.3 million. The loss was offset by a Diocesan subsidy of \$2.5 million, yielding an increase in unrestricted net assets of \$200,000. Telecare's total unrestricted net assets at year end were \$700,000; it has no temporarily or permanently restricted net assets.

Diocesan Service, Inc.

Diocesan Service, Inc. provides insurance brokerage services for many diocesan entities. In 2006, it had total revenues of \$28,000 and net income of \$10,000. Its total retained earnings at the end of 2006 were \$152,000.

Ecclesia Assurance Company

Ecclesia is a New York State captive insurance company that provides insurance for diocesan entities. Ecclesia is a stock corporation wholly owned by the Diocese. In 2006, Ecclesia had net income of \$0.4 million, and it closed the year with \$0.8 million in retained earnings. The company has \$4.4 million in total assets with \$2.8 million in total stockholder's equity.

Health Insurance Program

The Health Insurance Program provides medical, dental, life, and non-occupational disability insurance for participating employees of Diocesan entities, parishes and schools. During 2006, the Health Program had an increase of \$4.3 million in net assets available for benefits and ended the year with \$26.0 million in net assets available for benefits; the year end value includes the plan's total benefit obligation of \$2.7 million.

The 2006 financial statements reflect a restatement of the opening net asset balances. In 2005, the Health Program followed a not-for-profit organization format. The 2006 financial statements for the Health Program follow the AICPA's *Audit and Accounting Guide: Employee Benefit Plans for Health and Welfare Plans*. In applying the benefit plan accounting standards, the former classification of \$6.0 million in unrestricted net assets and \$15.5 million in liabilities were eliminated, and replaced with an equal amount of net assets available for benefits. The plan's beginning of year benefit obligations were restated to \$2.2 million.

Diocesan High Schools

The Diocesan High Schools include Bishop McGann-Mercy High School in Riverhead, Holy Trinity High School in Hicksville, and St. John the Baptist High School in West Islip. In fiscal 2006, the schools had a combined \$31.1 million in revenues and \$34.1 million in expenditures, leaving a net loss of \$3.0 million in operations before Diocesan subsidy. The Diocese provided the schools with \$4.2 million in support -- \$2.2 million toward operations and \$2.0 million in capital improvements. When added to the operating results, the Diocesan subsidy yielded for the schools a combined \$1.2 million

increase in unrestricted net assets, most of which is in plant. The schools also had a moderate increase in temporarily restricted net assets, which total \$2.1 million at year end.

Seminary of the Immaculate Conception

The Seminary of the Immaculate Conception is an institution of higher learning established for the training of men for the priesthood. In 2006, the Seminary had a net decrease in unrestricted net assets of \$0.5 million, resulting from an operating deficit of \$1.9 million and a Diocesan subsidy of \$1.4 million. The Seminary also had small increases of about \$70,000 in temporarily and permanently restricted net assets. The Seminary ended the year with \$3.4 million in net assets.

Tomorrow's Hope Foundation

Tomorrow's Hope was created to support the excellence and continuation of Catholic school education on Long Island, primarily through the provision of scholarships to students and direct grants to schools. 2006 was the first full year of operations for Tomorrow's Hope; scholarships raised during that time were awarded for and paid during the 2006-07 school year. During 2006, Tomorrow's Hope raised \$0.9 million from direct contributions and special events, and awarded \$0.9 million in scholarships. Total revenues and total expenses each amounted to \$1.7 million, including \$0.8 million in contributed service income and expense from the Diocese. Tomorrow's Hope ended the 2006 year with a small deficit in unrestricted net assets; it has no temporarily or permanently restricted net assets.

Other Audits

Reports on two additional 2006 entities, Protected Self Insurance Program, and Mission Office & Propagation of the Faith, will be added to this site upon conclusion of the audits.