



**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

Financial Statements

August 31, 2011 and 2010

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 200
1305 Walt Whitman Road
Melville, NY 11747-4302

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 statements of financial position of the Diocese of Rockville Centre Administrative Offices (the Administrative Offices) as of August 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Administrative Offices' management. 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 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 Administrative Offices' 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 audits provide 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 Diocese of Rockville Centre Administrative Offices as of August 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

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 19, 2011

**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

Statements of Financial Position

August 31, 2011 and 2010

Assets	2011	2010
Cash and cash equivalents	\$ 745,212	5,018,047
Investments (notes 3, 8, and 14)	48,152,783	47,504,504
Contributions receivable	1,021,471	942,218
Receivables from Parishes:		
Accounts receivable, net of allowance for doubtful accounts of \$3,188,000 and \$2,350,000 in 2011 and 2010, respectively	817,332	1,351,676
Loans receivable, net of allowance for doubtful loans of \$1,852,000 and \$1,597,000 in 2011 and 2010, respectively (note 5)	3,558,797	1,574,594
Accounts receivable from other Diocesan entities, net of allowance for doubtful accounts of \$247,000 in 2011 (note 9)	1,441,604	2,493,650
Other receivables	921,663	738,831
Prepaid expenses	395,617	274,689
Property and equipment, net (note 4)	10,004,518	10,808,186
Other assets (note 15)	2,284,804	2,293,004
Total assets	\$ 69,343,801	72,999,399
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 4,010,205	5,285,477
Deferred revenue	1,089,203	1,324,156
Due to related entities (note 14)	3,979,155	5,479,452
Loans payable (note 14)	2,750,000	4,000,000
Other liabilities (note 8)	516,955	585,196
Funds held for others	668,644	691,408
Asset retirement obligation (note 12)	20,247,496	19,811,640
Total liabilities	33,261,658	37,177,329
Net assets:		
Unrestricted:		
Undesignated	15,835,032	15,539,786
Investment in property and equipment	10,004,518	10,808,186
Total unrestricted	25,839,550	26,347,972
Temporarily restricted (notes 6 and 10)	9,697,571	8,929,076
Permanently restricted (note 10)	545,022	545,022
Total net assets	36,082,143	35,822,070
Total liabilities and net assets	\$ 69,343,801	72,999,399

See accompanying notes to financial statements.

**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

Statement of Activities
Year ended August 31, 2011

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues:				
Diocesan assessments from parishes	\$ 9,726,564	—	—	9,726,564
Non-School assessments from parishes	2,167,159	—	—	2,167,159
Contributions:				
Catholic Ministries Appeal (note 6)	—	10,931,218	—	10,931,218
Religious retirement collections	—	1,090,732	—	1,090,732
Other special collections	—	1,755,076	—	1,755,076
Bequests and other	1,272,662	—	—	1,272,662
Catholic Cemeteries (note 9)	3,250,000	—	—	3,250,000
Net appreciation in fair value of investments	419,876	—	—	419,876
Interest and dividends, net of investment fees of \$122,271	194,076	2,274	—	196,350
Interest on loans	27,754	—	—	27,754
Program fees	5,017,606	—	—	5,017,606
Other revenue	1,500,948	—	—	1,500,948
Contributed services	737,905	—	—	737,905
Net assets released from restrictions:				
Catholic Ministries Appeal (note 6)	10,333,658	(10,333,658)	—	—
Religious retirement collections	999,301	(999,301)	—	—
Other	1,677,846	(1,677,846)	—	—
Total revenues	<u>37,325,355</u>	<u>768,495</u>	<u>—</u>	<u>38,093,850</u>
Expenses:				
Program services:				
Grants and subsidies (note 9):				
Non-School assessments	1,838,557	—	—	1,838,557
Elementary schools	788,000	—	—	788,000
High schools	1,205,097	—	—	1,205,097
Catholic Charities (note 6)	2,030,625	—	—	2,030,625
Seminary of the Immaculate Conception	1,756,312	—	—	1,756,312
Parishes (note 6)	2,101,933	—	—	2,101,933
Telecare	830,298	—	—	830,298
Catholic Press Association	400,000	—	—	400,000
Tomorrow's Hope Foundation	424,000	—	—	424,000
Human development	55,397	—	—	55,397
Other program activities:				
Ministerial	4,507,286	—	—	4,507,286
Clergy personnel	3,683,909	—	—	3,683,909
Faith formation	1,456,593	—	—	1,456,593
Education	2,040,021	—	—	2,040,021
Social services	447,328	—	—	447,328
Communications	479,059	—	—	479,059
New evangelization	1,232,538	—	—	1,232,538
Supporting services:				
Administration	7,483,686	—	—	7,483,686
Institutional advancement	2,158,390	—	—	2,158,390
Property-related expenses	1,408,834	—	—	1,408,834
Bad debt expense	1,505,914	—	—	1,505,914
Total expenses	<u>37,833,777</u>	<u>—</u>	<u>—</u>	<u>37,833,777</u>
Change in net assets	(508,422)	768,495	—	260,073
Net assets, beginning of year	26,347,972	8,929,076	545,022	35,822,070
Net assets, end of year	<u>\$ 25,839,550</u>	<u>9,697,571</u>	<u>545,022</u>	<u>36,082,143</u>

See accompanying notes to financial statements.

**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

Statement of Activities
Year ended August 31, 2010

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Revenues:				
Diocesan assessments from parishes	\$ 8,203,205	—	—	8,203,205
Non-School assessments from parishes	2,177,622	—	—	2,177,622
Contributions:				
Catholic Ministries Appeal (note 6)	—	10,420,266	—	10,420,266
Religious retirement collections	—	1,417,310	—	1,417,310
Other special collections	—	3,331,107	—	3,331,107
Bequests and other	118,137	—	—	118,137
Catholic Cemeteries (note 9)	3,250,000	—	—	3,250,000
Net appreciation in fair value of investments	220,400	—	—	220,400
Interest and dividends, net of investment fees of \$49,224	227,260	1,036	—	228,296
Interest on loans	25,549	—	—	25,549
Program fees	4,917,630	—	—	4,917,630
Other revenue	1,244,018	—	—	1,244,018
Contributed services	796,967	—	—	796,967
Gain on sale of Diocese properties (note 15)	5,780,847	—	—	5,780,847
Net assets released from restrictions:				
Catholic Ministries Appeal (note 6)	10,915,713	(10,915,713)	—	—
Religious retirement collections	1,205,227	(1,205,227)	—	—
Other	2,935,169	(2,935,169)	—	—
Total revenues	<u>42,017,744</u>	<u>113,610</u>	<u>—</u>	<u>42,131,354</u>
Expenses:				
Program services:				
Grants and subsidies (note 9):				
Non-School assessments	1,895,778	—	—	1,895,778
Elementary schools	1,000,000	—	—	1,000,000
High schools	1,540,856	—	—	1,540,856
Catholic Charities (note 6)	2,262,030	—	—	2,262,030
Seminary of the Immaculate Conception	1,644,220	—	—	1,644,220
Parishes (note 6)	2,102,418	—	—	2,102,418
Telecare	911,680	—	—	911,680
Catholic Press Association	800,000	—	—	800,000
Tomorrow's Hope Foundation	260,431	—	—	260,431
Human development	47,597	—	—	47,597
Other program activities:				
Ministerial	6,598,439	—	—	6,598,439
Clergy personnel	4,255,470	—	—	4,255,470
Faith formation	1,341,666	—	—	1,341,666
Education	1,861,893	—	—	1,861,893
Social services	598,771	—	—	598,771
Communications	695,335	—	—	695,335
New evangelization	1,442,311	—	—	1,442,311
Supporting services:				
Administration	8,524,950	—	—	8,524,950
Institutional advancement	3,337,349	—	—	3,337,349
Property-related expenses	1,200,838	—	—	1,200,838
Bad debt expense	1,192,034	—	—	1,192,034
Total expenses	<u>43,514,066</u>	<u>—</u>	<u>—</u>	<u>43,514,066</u>
Change in net assets	(1,496,322)	113,610	—	(1,382,712)
Net assets, beginning of year	27,844,294	8,815,466	545,022	37,204,782
Net assets, end of year	<u>\$ 26,347,972</u>	<u>8,929,076</u>	<u>545,022</u>	<u>35,822,070</u>

See accompanying notes to financial statements.

**DIOCESE OF ROCKVILLE CENTRE
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Statements of Cash Flows

Years ended August 31, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ 260,073	(1,382,712)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Gain on sale of Diocese properties	—	(5,780,847)
Depreciation expense	909,443	912,506
Accretion of asset retirement obligation	435,856	238,789
Removal of asbestos	—	(8,900)
Net appreciation in fair value of investments	(419,876)	(220,400)
Provision for bad debts	1,505,914	1,192,034
Changes in operating assets and liabilities:		
Contributions receivable	(79,253)	54,529
Accounts receivable	152,751	602,400
Prepaid expenses	(120,928)	125,862
Accounts payable and accrued expenses	(1,178,184)	2,719,351
Deferred revenue	(234,953)	(224,141)
Other liabilities	(68,241)	3,264
Funds held for others	(22,764)	82,089
Net cash provided by (used in) operating activities	1,139,838	(1,686,176)
Cash flows from investing activities:		
Purchases of investments	(59,703,812)	(92,339,163)
Proceeds from sales of investments	59,475,409	85,874,147
Purchases of property and equipment	(105,775)	(131,519)
Proceeds from sale of Diocese properties	—	5,898,200
Change in other assets	—	100,000
Proceeds from loans sold to Mission Assistance Corporation	—	63,756
New loans issued	(5,863,844)	(373,949)
Repayments on loans	3,632,734	127,556
Net cash used in investing activities	(2,565,288)	(780,972)
Cash flows from financing activities:		
Change in accounts payable and accrued expenses due to bank overdraft	(97,088)	(1,801,778)
Proceeds from loans	—	4,000,000
Repayments on loans	(1,250,000)	—
Change in due to related entities	(1,500,297)	2,752,160
Net cash (used in) provided by financing activities	(2,847,385)	4,950,382
Net (decrease) increase in cash and cash equivalents	(4,272,835)	2,483,234
Cash and cash equivalents, beginning of year	5,018,047	2,534,813
Cash and cash equivalents, end of year	\$ 745,212	5,018,047

See accompanying notes to financial statements.

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Notes to Financial Statements

August 31, 2011 and 2010

(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. Accordingly, no provision for income taxes has been made.

The accompanying financial statements do not include the activities of any of the following funds or entities: The Health Insurance Program of the Diocese of Rockville Centre (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; Parishes; Elementary and High Schools; Catholic Cemeteries; Tomorrow's Hope Foundation; 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.

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Notes to Financial Statements

August 31, 2011 and 2010

(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 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.

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(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.

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(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. 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, 2011 and 2010.

(m) Reclassifications

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 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 12.5bps per month on the Unitas Money Market Fund or 37.5bps per quarter on the Unitas Capital Preservation Fund and/or the Unitas Long-Term Funds (150 basis points 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 is 0.0042% monthly (0.05% annualized); the mission fee to participants in the Unitas Capital Preservation Fund is 0.0125% quarterly (0.05% annualized), while the mission fee to participants in the Unitas Long-Term Funds is 0.125% quarterly (0.50% annualized).

The following tables present the fair value hierarchy of investments for the Administrative Offices as of August 31, 2011 and 2010:

	<u>Total</u>	<u>Fair value measurements at August 31, 2011</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 22,372,755	22,372,755	—	—
Unitas Money Market Fund (a)	9,554,937	—	9,554,937	—
Unitas Capital Preservation Fund (b)	10,165,603	—	10,165,603	—
Unitas Balanced Fund (c)	6,059,488	—	6,059,488	—
Total	<u>\$ 48,152,783</u>	<u>22,372,755</u>	<u>25,780,028</u>	<u>—</u>

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	<u>Total</u>	<u>Fair value measurements at August 31, 2010</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash equivalents	\$ 22,309,326	22,309,326	—	—
Unitas Money Market Fund (a)	9,545,380	—	9,545,380	—
Unitas Capital Preservation Fund (b)	10,109,712	—	10,109,712	—
Unitas Balanced Fund (c)	5,513,490	—	5,513,490	—
Unitas Structured Debt Fund	26,596	—	26,596	—
Total	<u>\$ 47,504,504</u>	<u>22,309,326</u>	<u>25,195,178</u>	<u>—</u>

- (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 Unitas Total Fixed Income Fund and approximately 50% of its assets in 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 1 day's notice. The investments in the Unitas Capital Preservation Fund, Unitas Balanced Fund, and Unitas Structured Debt Fund are redeemable quarterly with 1 day's notice.

(4) Property and Equipment

At August 31, 2011 and 2010, property and equipment, net, consisted of the following:

	<u>2011</u>	<u>2010</u>
Land	\$ 563,884	563,884
Building and improvements	22,444,915	22,444,915
Equipment and other	6,381,305	6,275,530
	<u>29,390,104</u>	<u>29,284,329</u>
Less accumulated depreciation	<u>(19,385,586)</u>	<u>(18,476,143)</u>
Total	<u>\$ 10,004,518</u>	<u>10,808,186</u>

(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

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to prepay their loans at any time without penalty. The Diocese retains the right to renegotiate a loan at any time prior to maturity.

(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 2010 Appeal are time restricted to the 2011 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 2011 Appeal are included in temporarily restricted net assets as these amounts are restricted for the 2012 fiscal year.

The following reconciliation provides the changes in the Appeal's net assets (temporarily restricted) for the years ended August 31, 2011 and 2010:

Appeal restricted net assets at August 31, 2010	\$	6,364,853
Additional contributions received in fiscal 2011 related to 2010 Appeal		1,124,504
		7,489,357
Distributions from 2010 Appeal:		
Catholic Charities		(270,625)
Parishes		(1,082,632)
Pastoral ministries, education, and faith formation		(6,136,100)
		(7,489,357)
Contributions through August 31, 2011 for the 2011 Appeal		
		9,806,714
Distributions from 2011 Appeal:		
Catholic Charities		(1,760,000)
Parishes		(1,019,301)
Other remittances		(65,000)
		(2,844,301)
Appeal net assets at August 31, 2011	\$	6,962,413

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Appeal restricted net assets at August 31, 2009	\$ 6,860,300
Additional contributions received related to 2009 Appeal	1,051,370
	7,911,670
Distributions from 2009 Appeal:	
Catholic Charities	(224,134)
Parishes	(1,201,271)
Pastoral ministries, education and faith formation	(6,486,265)
	(7,911,670)
Contributions through August 31, 2010 for the 2010 Appeal	9,368,896
Distributions from 2010 Appeal:	
Catholic Charities	(2,037,896)
Parishes	(901,147)
Other remittances	(65,000)
	(3,004,043)
Appeal net assets at August 31, 2010	\$ 6,364,853

(7) Pension and Retirement Plans

The Administrative Offices 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. The Administrative Offices also participates in a noncontributory retirement plan for clergy. Because the plans are considered multi-employer plans, they are only subject to certain minimum reporting requirements. Pension expense for the years ended August 31, 2011 and 2010 totaled approximately \$1,005,200 and \$726,000, respectively, for the noncontributory lay pension plan and \$358,500 and \$377,900, respectively, for the noncontributory retirement plan for clergy.

(8) Charitable Gift Annuities

The Administrative Offices' investments include amounts subject to split-interest agreements (charitable gift annuities) of \$293,961 and \$331,770 at August 31, 2011 and 2010, 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 \$248,398 and \$254,020, respectively, is included in other liabilities.

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(9) Related-Entity Transactions

The entities discussed below in (a), (c), (f), (h), and (j) 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 2011 and 2010, the Administrative Offices distributed \$2,030,625 and \$2,262,030, respectively, to Catholic Charities from the Appeal.

(b) Catholic Schools

The Administrative Offices provided grants to parish and regional elementary schools, which are separate and distinct 501(c)(3) corporations, of \$788,000 and \$1,000,000 for the years ended August 31, 2011 and 2010, respectively, to assist in their respective operations. The Administrative Offices also provided Catholic high schools with grants of approximately \$1,205,000 and \$1,541,000 for the years ended August 31, 2011 and 2010, respectively.

(c) Seminary of the Immaculate Conception

For the years ended August 31, 2011 and 2010, the Administrative Offices provided the Diocesan seminary with subsidies of \$1,756,312 (comprised of general subsidy of \$1,254,830; tuition of \$330,200; health insurance of \$95,687; and other purposes of \$75,595) and \$1,644,220 (comprised of general subsidy of \$1,121,153; tuition of \$350,500; health insurance of \$90,750; and other purposes of \$81,817), respectively.

(d) Parishes

In fiscal 2011 and 2010, the Administrative Offices distributed \$2,101,933 and \$2,102,418, respectively, to various parishes from the Appeal.

(e) Catholic Cemeteries

In 2011 and 2010, 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.

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

The Administrative Offices provided Telecare with subsidies of approximately \$830,000 and \$912,000 in fiscal 2011 and 2010, respectively, to help support the Diocesan television station and paid certain expenses on Telecare's behalf. Gross accounts receivable from the other diocesan entities includes \$783,389 and \$738,350 due from Telecare, at August 31, 2011 and 2010, respectively.

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(g) *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 \$139,000 and \$138,500 for the years ended August 31, 2011 and 2010, respectively. Additionally, the Administrative Offices paid health insurance premiums of approximately \$2,193,000 and \$2,421,000 to the Program for the years ended August 31, 2011 and 2010, respectively.

(h) *Mission Assistance Corporation*

Mission Assistance Corporation (MAC) was established for the purpose of administering loans to parishes in need. During 2010, the Administrative Offices sold such loans to MAC at their net realizable value of \$63,756. During 2011, no loans were sold to MAC.

(i) *Catholic Press Association of the Diocese of Rockville Centre*

The Administrative Offices provided Catholic Press Association of the Diocese of Rockville Centre with subsidies of \$400,000 and \$800,000 for the years ended August 31, 2011 and 2010, respectively.

(j) *Tomorrow's Hope Foundation*

The Administrative Offices provided Tomorrow's Hope Foundation (THF) with subsidies of approximately \$424,000 and \$260,000 for the years ended August 31, 2011 and 2010, respectively and paid certain expenses on THF's behalf.

(k) *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, 2011 and 2010, the amount collected, net of expenses, which was transferred to the Interdiocesan Religious Retirement Fund totaled \$967,467 and \$1,122,063, respectively, which is included within ministerial expenses.

(l) *Guarantee on Loans*

The Diocese maintained two lines of credit totaling \$2,089,000 with two financial institutions for construction and renovation projects undertaken by two different parishes. One of the two parishes fully satisfied its loan by August 31, 2011 and the line of credit was closed. The one parish with borrowings outstanding is responsible for repayment of any amounts borrowed and the Diocese is a co-signer. The total amount outstanding at August 31, 2011 and 2010 under these lines of credit was \$436,595 and \$634,870, respectively, which is not reflected in the accompanying financial statements. The existing line of credit as of August 31, 2011 expires in 2016.

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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, 2011 and 2010 was \$2,639,570 and \$2,360,000, respectively, which is not reflected in the accompanying financial statements.

(10) Restricted Net Assets

Temporarily restricted net assets were available for the following purposes at August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Catholic Ministries Appeal (note 6)	\$ 6,962,413	6,364,853
Special programmatic collections	1,302,077	1,192,281
Religious retirement	956,328	864,897
Human development	115,568	130,104
Retired religious and priests	182,667	182,491
Seminarians	14,190	14,034
Educational	120,143	96,519
Care for the elderly	40,425	40,000
Other	3,760	43,897
	<u>\$ 9,697,571</u>	<u>8,929,076</u>

The income from permanently restricted net assets was available for the following purposes at August 31, 2011 and 2010:

Care for the elderly	\$ 400,241
Seminarians	54,738
Educational	47,765
Seminary	42,278
	<u>\$ 545,022</u>

The Administrative Offices' endowment consists of nine individual donor-restricted funds established for a variety of purposes. At August 31, 2011 and 2010, 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.

On September 17, 2010, the State of New York enacted its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Administrative Offices has interpreted UPMIFA as allowing the organization to appropriate for expenditure or accumulate so much of an endowment fund as the

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organization determines is 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 has not changed the way permanently restricted net assets are classified. See note 2 for further information on net asset classification. The remaining portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. Endowment net assets consist of the following at August 31, 2011 and 2010:

		2011			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted	\$	—	82,033	545,022	627,055

The following table presents the changes in the Administrative Offices' donor-restricted endowment funds for the years ended August 31, 2011 and 2010:

		2011			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at August 31, 2010	\$	—	81,430	545,022	626,452
Investment return, net		—	603	—	603
Endowment net assets at August 31, 2011	\$	—	82,033	545,022	627,055

		2010			
		Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets at August 31, 2009	\$	(3,356)	80,681	545,022	622,347
Investment return, net		3,356	749	—	4,105
Endowment net assets at August 31, 2010	\$	—	81,430	545,022	626,452

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(11) Lease

In 2006, the Administrative Offices entered into an agreement with an outside wireless cable company so that the wireless company could lease and use specified channels for communication services. Under this agreement, the wireless company made an upfront 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 ten years. In addition, Spectrum agreed to pay the Administrative Offices a monthly fee of \$150,000 over the lease term of ten years. For the years ended August 31, 2011 and 2010, total lease income was \$2,050,000.

(12) Conditional 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.

(13) Voluntary Separation Program

In fiscal 2010, the Administrative Offices and other Diocesan entities offered their respective employees participation in a voluntary separation program (VSP). The VSP provided a salary continuation benefit and continued medical benefits to eligible employees of the Diocese who voluntarily separated under the VSP. The Administrative Offices' liability related to the VSP as of August 31, 2010 was approximately \$747,000 and was included within accounts payable and accrued expenses. As of August 31, 2011, the salary continuation benefits for all VSP participants have been paid.

(14) Loans Payable

In order to assist several parishes in meeting their short-term needs to finance the payment of the VSP, 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 is collateralized by a \$4,000,000 investment account opened at the bank. 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; prepayment is permitted.

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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.

(15) Gain on Sale of Properties

Administrative Offices owns properties not currently used in its operations which are held for future parish sites. The book value of these properties total \$1,649,645 as of August 31, 2011 and 2010 which is included within other assets. In fiscal 2010, two of these properties were sold resulting in an aggregate net gain of approximately \$5,781,000.

(16) Subsequent Events

In connection with the preparation of the financial statements, the Administrative Offices evaluated events subsequent to August 31, 2011 through December 19, 2011, which was the date the financial statements were available to be issued, and concluded that no additional disclosures were required.