THE SEMINARY OF THE IMMACULATE CONCEPTION
OF THE DIOCESE OF ROCKVILLE CENTRE
FINANCIAL STATEMENTS
AS OF AUGUST 31, 2011 AND 2010
TOGETHER WITH
AUDITORS' REPORT

Nawrocki Smith LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of The Seminary of the Immaculate Conception of the Diocese of Rockville Centre (the "Seminary") as of August 31, 2011 and 2010, and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Seminary's 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Seminary of the Immaculate Conception of the Diocese of Rockville Centre 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 accounting principles generally accepted in the United States of America.

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

Nawrocki Smith LLP

Melville, New York
October 26, 2011

THE SEMINARY OF THE IMMACULATE CONCEPTION
OF THE DIOCESE OF ROCKVILLE CENTRE
STATEMENTS OF FINANCIAL POSITION
AS OF AUGUST 31, 2011 AND 2010

	2011	2010
ASSETS		
Cash	$ 11,072	$ 70,597
Investments	1,690,055	1,824,611
Accounts receivable	21,318	42,088
Prepaid expenses and other assets	73,682	73,345
Property and equipment, net of accumulated depreciation of $6,441,537 and $6,269,706, respectively	1,191,139	1,245,444
Total assets	$ 2,987,266	$ 3,256,085
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 67,489	$ 97,621
Accrued payroll	135,282	108,595
Deferred revenue and other liabilities	28,785	27,967
Total liabilities	231,556	234,183
Net assets:		
Unrestricted:		
Undesignated	3,665	25,572
Designated	409,974	608,194
Plant	1,191,139	1,245,444
Total unrestricted net assets	1,604,778	1,879,210
Temporarily restricted	222,729	214,489
Permanently restricted	928,203	928,203
Total net assets	2,755,710	3,021,902
Total liabilities and net assets	$ 2,987,266	$ 3,256,085

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

THE SEMINARY OF THE IMMACULATE CONCEPTION
OF THE DIOCESE OF ROCKVILLE CENTRE
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
CHANGE IN UNRESTRICTED NET ASSETS:		
Revenues:		
Tuition -		
Diocese of Rockville Centre	$ 330,200	$ 350,500
Other tuition	290,646	347,459
Diocese of Brooklyn	268,260	360,000
Less: financial grants	(17,700)	(11,831)
Net tuition	871,406	1,046,128
Contributions from the Diocese of Rockville Centre	1,254,830	1,121,153
Special events	557,333	350,963
Contributed services	414,019	398,558
Outside activities	402,694	392,289
Rental income	238,666	233,678
Miscellaneous	19,647	33,036
Donations and gifts	16,834	236,230
Net appreciation in fair value of investments	12,131	866
Other income	2,695	4,308
Net assets released from restrictions	161,012	40,455
Total operating revenues	3,951,267	3,857,664
Expenses:		
Instruction	798,918	770,743
Academic support	400,968	460,043
Student services	515,897	490,323
Institutional services	974,060	858,077
Auxiliary services	1,408	2,792
Buildings and grounds	1,534,448	1,444,380
Total operating expenses	4,225,699	4,026,358
Decrease in unrestricted net assets	(274,432)	(168,694)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Donations and gifts	156,574	36,792
Net appreciation in fair value of investments	12,678	1,362
Net assets released from restrictions	(161,012)	(40,455)
Increase (decrease) in temporarily restricted net assets	8,240	(2,301)
CHANGE IN NET ASSETS	(266,192)	(170,995)
NET ASSETS, BEGINNING OF YEAR	3,021,902	3,192,897
NET ASSETS, END OF YEAR	$ 2,755,710	$ 3,021,902

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

THE SEMINARY OF THE IMMACULATE CONCEPTION
OF THE DIOCESE OF ROCKVILLE CENTRE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (266,192)	$ (170,995)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	171,831	164,113
(Increase) decrease in accounts receivable	20,770	(27,795)
(Increase) decrease in prepaid expenses and other assets	(337)	19,265
Decrease in accounts payable and accrued expenses	(30,132)	(56,600)
Increase in accrued payroll	26,687	57,466
Increase (decrease) in deferred revenue and other liabilities	818	(10,383)
Net cash used by operating activities	(76,555)	(24,929)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(508,831)	(179,427)
Sale of investments	643,387	274,814
Purchase of property and equipment	(117,526)	(155,361)
Net cash provided (used) by investing activities	17,030	(59,974)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(59,525)	(84,903)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	70,597	155,500
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 11,072	$ 70,597

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

(1) Organization

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

The Seminary is economically dependent on the Diocese of Rockville Centre (the "Diocese") for continued financial support. As such, the Seminary's activities are supported by contributions and subsidies from the Diocese. The contributions were formerly classified as subsidies. All or a portion of the contributions provided by the Diocese are derived from Catholic Ministries Appeal donations. The Administrative Offices of the Diocese pays the tuition and health insurance for the Rockville Centre seminarians and has classified these expenses as "subsidy" on its books. The total of the Diocesan subsidy and contributions for the years ended August 31, 2011 and 2010 is as follows:

	2011	2010
Contributions	$1,254,830	$1,121,153
Tuition	330,200	350,500
Health insurance	105,287	100,350
	$1,690,317	$1,572,003

(2) Summary of significant accounting policies:

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

Financial statement presentation -

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

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

Temporarily restricted - net assets of the Seminary which have been limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled and removed by the actions of the Seminary pursuant to those stipulations. Temporarily restricted revenue, whose restriction is satisfied within the same fiscal year as the receipt of funds, is recorded as unrestricted.

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

As required by U.S. generally accepted accounting principles, the Seminary has also presented statements of cash flows for the years ended August 31, 2011 and 2010.

Cash -

Cash includes cash held in operating accounts.

Investments -

The Seminary invests in Unitas Investment Fund, Inc. ("Unitas"), a separately incorporated, non-regulated investment fund organized by the Roman Catholic Diocese of Rockville Centre and operated exclusively for religious, charitable and educational purposes. As of August 31, 2011 and 2010, respectively, the cost of the Seminary's investment in Unitas approximated fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Seminary follows U.S. generally accepted accounting principles regarding fair value measurements which establish a fair value hierarchy requiring an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). 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 the reported entity has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

Property and equipment -

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

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

Conditional asset retirement obligations -

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

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

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

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

These principles did not have a material impact on the Seminary's financial position, results of activities or liquidity during the years ended August 31, 2011 and 2010.

Accrued vacation and sick pay -

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

Revenue and expense recognition -

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

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at date of contribution.

Tuition -

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

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

Contributed services -

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

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

Outside activities -

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

Program and support services -

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

Instruction -

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

Academic support -

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

Student services -

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

Institutional services -

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

Auxiliary services -

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

The use of estimates in the preparation of financial statements -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results may differ from those estimates.

Reclassifications -

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

(3) Investments

As of August 31, 2011 and 2010, the cost of the Seminary's investment in Unitas approximated fair value. The Seminary had the following investments held in Unitas at August 31, 2011 and 2010:

	2011	2010
Unrestricted accounts	$ 136,255	$ 108,367
Designated account	409,974	582,344
Temporarily restricted accounts	215,623	205,697
Permanently restricted accounts	928,203	928,203
	$1,690,055	$1,824,611

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

The following table represents the Seminary's fair value hierarchy for investments in Unitas at fair value as of August 31, 2011 and 2010:

	Fair value	Level 1	Level 2	Level 3
2011	$1,690,055	$ -	$1,690,055	$ -
2010	$1,824,611	$ -	$1,824,611	$ -

As of August 31, 2011 and 2010, the Seminary did not possess any level 1 or level 3 types of investments.

(4) Property and equipment

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

The following represents the major classes of fixed assets as of August 31, 2011 and 2010:

	2011	2010
Land	$ 300,000	$ 300,000
Buildings and building improvements	5,473,132	5,374,573
Furniture, equipment and computer equipment	1,721,489	1,702,522
Artwork	138,055	138,055
	7,632,676	7,515,150
Less: accumulated depreciation	6,441,537	6,269,706
	$1,191,139	$1,245,444

(5) Temporarily and permanently restricted net assets

Temporarily and permanently restricted net assets as of August 31, 2011 and 2010 are comprised of the following:

	2011	2010
Temporarily restricted net assets -		
Brooklyn Fund	$ 97,341	$ 100,384
Rockville Centre Fund	46,873	56,858
McKenna Fund	25,721	25,696
Bevilacqua Lecture Fund	11,338	3,419
Library Fund	10,670	-
Schneider Fund	10,522	10,512
Holy Land Fund	253	3,744
Other	20,011	13,876
Total temporarily restricted net assets	222,729	214,489
Permanently restricted net assets -		
Seminary Endowment	597,108	597,108
Msgr. Denzer Endowment	169,795	169,795
Don Monti Endowment	150,000	150,000
Virdone Endowment	10,000	10,000
John Paul II Endowment	1,300	1,300
Total permanently restricted net assets	928,203	928,203
Total restricted net assets	$1,150,932	$1,142,692

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable law requires the Seminary to retain as a fund of perpetual duration. There were no such deficiencies as of August 31, 2011.

The Seminary has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to protect the original value of the gift.

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) requires the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Seminary classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

Changes in endowment net assets for the years ended August 31, 2011 and 2010 are as follows:

	2011	2010
Endowment net assets, Beginning of year	$ 928,203	$ 928,203
Endowment contributions	-	50
Net gain	12,456	1,119
Endowment appropriations	(12,456)	(1,169)
Endowment net assets, End of year	$ 928,203	$ 928,203

(6) Pension and retirement plans

The Seminary 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 Seminary also participates in a noncontributory defined benefit plan for clergy. Due to the nature of the plans, it is not practicable to determine the extent to which the assets of the plans cover the actuarially computed value of vested benefits for the Seminary on a stand-alone basis.

In addition, because the plans are considered multi-employer plans, they are not subject to the reporting requirements for pensions under the FASB Accounting Standards Codification. Pension expense allocated to the Seminary for the years ended August 31, 2011 and 2010 was $82,781 and $80,957 for the noncontributory lay pension plan, respectively, and $50,130 and $42,740 for the noncontributory retirement plan for clergy, respectively.

(7) Related party considerations

The Seminary is insured with regard to property and casualty insurance through the Protected Self Insurance Program of the Diocese ("PSIP"), a related party. The Health Insurance Program of the Diocese ("HIP"), a related party, also exists to provide health coverage to the Seminary's employees. Insurance premiums charged by the PSIP to the Seminary totaled approximately $143,000 and $125,000 for the years ended August 31, 2011 and 2010, respectively. The Seminary incurred insurance premiums to the HIP of approximately $203,000 and $215,500, for the years ended August 31, 2011 and 2010, respectively.

The Diocese rents space from the Seminary. Rental income received from the Diocese was approximately $96,000 for each of the years ended August 31, 2011 and 2010.

(8) Commitments

The Seminary is obligated under various operating leases for equipment. Future minimum lease payments for all non-cancellable operating leases at August 31, 2011 are as follows:

Year ending August 31,	
2012	$ 27,308
2013	15,707
	$ 43,015

(9) Concentrations of credit risk

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

(10) Subsequent events

The Seminary has evaluated subsequent events through October 26, 2011, which is the date these financial statements were available to be issued.

THE SEMINARY OF THE IMMACULATE CONCEPTION
OF THE DIOCESE OF ROCKVILLE CENTRE
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED AUGUST 31, 2011
(With Comparative Totals for 2010)

	Instruction	Academic Support	Student Services	Institutional Services	Auxiliary Services	Buildings and Grounds	2011	2010
Salaries, including contributed services	$ 619,761	$ 217,326	$ -	$ 412,840	$ -	$ 284,646	$ 1,534,573	$ 1,598,206
Utilities	-	-	-	-	-	449,127	449,127	385,227
Food	-	-	433,622	-	-	-	433,622	426,979
Faculty and program expenses	6,936	8,061	15,748	308,963	-	-	339,708	186,824
Employee benefits	144,187	9,067	-	64,256	-	109,339	326,849	332,827
Repairs and maintenance	3,712	169	11,253	580	-	246,688	262,402	264,387
Supplies	218	110,259	13,667	23,849	-	80,724	228,717	199,172
Insurance	-	-	-	-	-	137,452	137,452	124,962
Payroll taxes - laity	11,519	17,018	-	20,727	-	33,565	82,829	84,000
Pension plan contribution - laity	12,555	17,387	-	26,412	-	26,427	82,781	80,957
Professional fees	-	4,542	4,763	60,364	-	-	69,669	81,567
Telephone	-	1,600	360	20,663	-	660	23,283	14,938
Student aid	-	-	22,239	-	-	-	22,239	13,518
Miscellaneous	-	6,013	1,830	11,990	1,408	171	21,412	23,673
Postage, stationary and printing	30	4,726	784	12,869	-	7	18,416	23,983
Outside activities cost	-	-	-	2,758	-	10,455	13,213	15,431
Chapel	-	-	7,576	-	-	-	7,576	5,529
Travel	-	-	-	-	-	-	-	65
Subtotal	798,918	396,168	511,842	966,271	1,408	1,379,261	4,053,868	3,862,245
Depreciation expense	-	4,800	4,055	7,789	-	155,187	171,831	164,113
	$ 798,918	$ 400,968	$ 515,897	$ 974,060	$ 1,408	$ 1,534,448	$ 4,225,699	$ 4,026,358

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