

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**DIOCESE OF ROCKVILLE CENTRE
ADMINISTRATIVE OFFICES**

August 31, 2003 and 2002

Grant Thornton 

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Most Reverend William F. Murphy, S.T.D., L.H.D.
Bishop of Rockville Centre:

We have audited the accompanying statements of financial position of the Administrative Offices of the Diocese of Rockville Centre (the "Administrative Offices") as of August 31, 2003 and 2002, 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 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 Administrative Offices of the Diocese of Rockville Centre as of August 31, 2003 and 2002, 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 basic financial statements of the Administrative Offices taken as a whole as of and for the years ended August 31, 2003 and 2002. The supplementary information for the years ended August 31, 2003 and 2002 included on pages 17 and 18 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Grant Thornton LLP

Melville, New York
November 21, 2003

STATEMENTS OF FINANCIAL POSITION
For the years ended August 31, 2003 and 2002

	Unrestricted Funds														Total	2003	2002
	Undesignated Funds		Plant and Other Designated Funds		Diocesan Deposit and Loan Account		Custodian Funds		Temporarily Restricted Funds		Permanently Restricted Endowment Funds		Interfund Eliminations				
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002			
ASSETS																	
Cash and cash equivalents	\$ 40,249	\$ 4,200,930	\$ -	\$ -	\$ 10,930,088	\$ 8,321,398	\$ -	\$ -	\$ -	\$ 31,139	\$ -	\$ -	\$ -	\$ -	\$ 10,970,337	\$ 12,643,467	
Investments (Note B)	-	-	-	-	311,451,953	303,122,749	-	-	-	-	-	-	-	-	311,451,953	303,122,749	
Accounts receivable (Notes C and J):																	
Parishes	897,225	463,514	-	-	50,000	50,000	-	-	-	-	-	-	-	-	947,225	513,514	
Other	2,509,495	1,505,200	-	192,200	-	-	-	-	202,367	903,253	-	-	-	-	2,711,862	2,600,743	
Allowance for doubtful accounts	3,406,720	1,968,804	-	192,200	50,000	50,000	-	-	202,367	903,253	-	-	-	-	3,659,087	3,114,257	
Accounts receivable, net	(38,500)	(38,500)	-	-	-	-	-	-	-	-	-	-	-	-	(38,500)	(38,500)	
Accounts receivable, net	3,368,220	1,930,304	-	192,200	50,000	50,000	-	-	202,367	903,253	-	-	-	-	3,620,587	3,075,757	
Loans receivable:																	
Parishes	-	-	-	-	10,664,509	9,417,447	-	-	-	-	-	-	-	-	10,664,509	9,417,447	
Allowance for doubtful loans	-	-	-	-	(2,133,400)	(1,880,000)	-	-	-	-	-	-	-	-	(2,133,400)	(1,880,000)	
Combined current operating funds	-	-	-	-	8,531,100	7,537,447	-	-	-	-	-	-	-	-	8,531,100	7,537,447	
Plant Fund	-	-	-	-	948,316	5,995,694	-	-	-	-	-	(948,316)	(5,995,694)	-	-	-	
Other	-	-	-	-	5,582,991	5,396,910	-	-	-	-	-	(5,582,991)	(5,396,910)	-	-	-	
Loans receivable, net	-	-	-	-	961,365	741,570	-	-	-	-	-	-	-	-	961,365	741,570	
Loans receivable, net	-	-	-	-	16,023,972	19,871,621	-	-	-	-	-	(6,531,307)	(11,592,603)	-	9,492,665	8,279,017	
Investment in Diocesan Deposit and Loan Account	102,202	169,323	40,825,932	39,887,534	-	-	2,567,736	3,529,936	12,081,528	21,652,111	545,022	545,022	(56,122,420)	(65,783,926)	-	-	
Accrued interest receivable	-	-	-	-	1,516,226	2,256,503	-	-	-	-	-	-	-	-	1,516,226	2,256,503	
Prepaid expenses	221,710	252,543	-	-	3,953	21,384	-	-	-	-	-	-	-	-	225,663	273,927	
Operating properties, net (Note D)	-	-	9,014,603	9,164,451	-	-	-	-	-	-	-	-	-	-	9,014,603	9,164,451	
Future parish sites	-	-	2,995,388	2,191,181	-	-	-	-	-	-	-	-	-	-	2,995,388	2,191,181	
Total assets	\$ 3,732,384	\$ 6,643,104	\$ 52,435,923	\$ 51,435,366	\$ 339,976,192	\$ 333,643,655	\$ 2,567,736	\$ 3,529,936	\$ 12,283,895	\$ 22,586,503	\$ 545,022	\$ 545,022	\$ (62,653,727)	\$ (77,376,530)	\$ 348,887,422	\$ 341,007,052	
LIABILITIES AND NET ASSETS																	
Liabilities:																	
Accounts payable and accrued expenses	\$ 3,308,343	\$ 1,074,548	\$ -	\$ -	\$ 153,538	\$ 310,943	\$ -	\$ -	\$ 2,158,219	\$ 2,998,946	\$ -	\$ -	\$ -	\$ -	\$ 5,620,100	\$ 4,384,437	
Funds on deposit:																	
Parishes	-	-	-	-	109,974,182	118,296,498	-	-	-	-	-	-	-	-	109,974,182	118,296,498	
Schools	-	-	-	-	13,629,251	11,368,924	-	-	-	-	-	-	-	-	13,629,251	11,368,924	
Unrestricted Funds	-	-	-	-	40,928,134	40,057,143	-	-	-	-	-	-	(40,928,134)	(40,056,858)	-	285	
Temporarily Restricted Funds	-	-	-	-	12,081,528	21,652,111	-	-	-	-	-	-	(12,081,528)	(21,652,111)	-	-	
Endowment Funds	-	-	-	-	545,022	545,022	-	-	-	-	-	-	(545,022)	(545,022)	-	-	
Custodian Funds	-	-	-	-	2,567,736	3,529,936	-	-	-	-	-	-	(2,567,736)	(3,529,936)	-	-	
Other Diocesan Organizations	-	120,692	-	-	134,262,839	114,974,766	-	-	-	-	-	-	-	-	134,262,839	115,095,458	
Diocesan Deposit and Loan Account	948,316	5,995,693	5,582,991	5,596,910	-	-	-	-	-	-	-	-	(6,531,307)	(11,592,603)	-	-	
Other	-	-	-	-	390,131	1,016,458	-	-	-	-	-	-	-	-	390,131	1,016,458	
Total funds on deposit	948,316	6,116,385	5,582,991	5,596,910	314,378,823	311,440,858	-	-	-	-	-	-	(62,653,727)	(77,376,530)	258,256,403	245,777,623	
Reserve for guaranteed loans (Note J)	-	-	-	-	1,461,000	625,000	-	-	-	-	-	-	-	-	1,461,000	625,000	
Deferred revenue and support	236,877	239,932	-	-	-	-	-	-	-	-	-	-	-	-	236,877	239,932	
Funds held for others	-	-	-	-	-	-	2,567,736	3,529,936	-	-	-	-	-	-	2,567,736	3,529,936	
Total liabilities	4,493,536	7,430,865	5,582,991	5,596,910	315,993,361	312,376,801	2,567,736	3,529,936	2,158,219	2,998,946	-	-	(62,653,727)	(77,376,530)	268,142,116	254,556,928	
Commitments (Notes I and J)																	
Net assets (Note A):																	
Unrestricted net (deficit) assets:																	
Undesignated	(761,155)	(787,765)	-	-	-	-	-	-	-	-	-	-	-	-	(761,155)	(787,765)	
Designated	-	-	41,255,138	40,104,735	23,982,831	21,266,854	-	-	-	-	-	-	-	-	65,237,969	61,371,589	
Net investment in plant	-	-	5,997,794	5,733,721	-	-	-	-	-	-	-	-	-	-	5,997,794	5,733,721	
Total unrestricted net (deficit) assets	(761,155)	(787,765)	46,852,932	45,838,456	23,982,831	21,266,854	-	-	-	-	-	-	-	-	70,074,608	66,317,545	
Temporarily restricted net assets	-	-	-	-	-	-	-	-	10,125,676	19,587,557	-	-	-	-	10,125,676	19,587,557	
Permanently restricted net assets	-	-	-	-	-	-	-	-	-	-	545,022	545,022	-	-	545,022	545,022	
Total net (deficit) assets	(761,155)	(787,765)	46,852,932	45,838,456	23,982,831	21,266,854	-	-	10,125,676	19,587,557	545,022	545,022	-	-	80,745,306	86,450,124	
Total liabilities and net assets	\$ 3,732,384	\$ 6,643,104	\$ 52,435,923	\$ 51,435,366	\$ 339,976,192	\$ 333,643,655	\$ 2,567,736	\$ 3,529,936	\$ 12,283,895	\$ 22,586,503	\$ 545,022	\$ 545,022	\$ (62,653,727)	\$ (77,376,530)	\$ 348,887,422	\$ 341,007,052	

The accompanying notes are an integral part of these statements

Diocese of Rockville Centre
Administrative Offices

STATEMENTS OF ACTIVITIES
For the years ended August 31, 2003 and 2002

	Unrestricted Funds												Total	2002		
	Undesignated Funds		Plant and Other Designated Funds		Diocesan Deposit and Loan Account		Total Unrestricted Funds		Temporarily Restricted Funds		Interfund Eliminations				2003	2002
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002				
Revenue:																
Diocesan assessments from parishes	\$ 8,189,853	\$ 7,929,993	\$ -	\$ -	\$ -	\$ -	\$ 8,189,853	\$ 7,929,993	\$ -	\$ -	\$ -	\$ -	\$ 8,189,853	\$ 7,929,993		
Contributions:																
Bishop's Annual Appeal, net (Note F)	-	-	-	-	-	-	-	-	7,345,051	10,186,379	-	-	7,345,051	10,186,379		
Religious Retirement Collection	-	-	-	-	-	-	-	-	878,011	1,024,258	-	-	878,011	1,024,258		
Requests and other	2,553,524	2,786,989	297,250	908,105	-	-	2,850,774	3,687,094	650,241	3,268,049	-	-	3,501,015	6,955,143		
Investment return:																
Loans receivable	-	-	-	-	529,786	427,198	529,786	427,198	-	-	-	-	529,786	427,198		
Diocesan Deposit and Loan Account	204,025	276,755	3,166,269	(727,543)	-	-	3,370,294	(450,788)	261,951	(249,076)	(3,632,245)	699,864	-	-		
Investment and other	-	-	-	-	21,627,386	(1,101,386)	21,627,386	(1,101,386)	-	-	-	-	21,627,386	(1,101,386)		
Fees	1,810,247	1,904,063	-	-	-	-	1,810,247	1,904,063	-	-	-	-	1,810,247	1,904,063		
Contributed services (Note A)	1,362,906	1,472,960	-	-	-	-	1,362,906	1,472,960	-	-	-	-	1,362,906	1,472,960		
Other revenue	2,010,992	2,341,555	200,211	494,787	122,673	-	2,333,876	2,836,342	-	-	-	-	2,333,876	2,836,342		
Public income (Note F)	-	-	-	-	-	35,960	-	35,960	-	-	-	-	-	35,960		
Recovery income	-	-	-	-	-	682,264	-	682,264	-	-	-	-	-	682,264		
Total revenue	16,131,547	16,712,315	3,663,730	667,349	22,279,845	44,036	42,075,122	17,423,703	9,135,284	14,229,610	(3,632,245)	699,864	47,578,131	32,353,174		
Net assets released from restrictions and designations:																
Bishop's Annual Appeal net transfer	9,402,563	8,506,114	-	-	-	-	9,402,563	8,506,114	(9,402,563)	(8,506,114)	-	-	-	-		
Religious Retirement Collection	8,797,851	1,019,834	-	-	-	-	8,797,851	1,019,834	(8,797,851)	(1,019,834)	-	-	-	-		
Designated funds	1,800,000	(450,000)	(1,800,000)	450,000	-	-	-	-	-	-	-	-	-	-		
Plant Fund	(321,893)	123,590	321,893	(123,590)	-	-	-	-	-	-	-	-	-	-		
Other	526,721	411,690	(130,000)	(65,250)	-	-	396,721	346,440	(396,721)	(346,440)	-	-	-	-		
Total revenue and net assets released from restrictions and designations	36,336,789	26,323,543	2,055,623	928,509	22,279,845	44,036	60,672,257	27,296,088	(9,461,881)	4,357,222	(3,632,245)	699,864	47,578,131	32,353,174		
Expenses:																
Pastoral services	8,371,150	7,810,607	-	-	-	-	8,371,150	7,810,607	-	-	-	-	8,371,150	7,810,607		
Educational services	9,130,610	7,051,093	-	-	-	-	9,130,610	7,051,093	-	-	-	-	9,130,610	7,051,093		
Health and social services	2,043,145	2,256,332	-	-	-	-	2,043,145	2,256,332	-	-	-	-	2,043,145	2,256,332		
Religious personnel development	12,186,190	4,264,231	-	-	-	-	12,186,190	4,264,231	-	-	-	-	12,186,190	4,264,231		
Diocesan administration	4,579,084	4,310,701	-	-	-	-	4,579,084	4,310,701	-	-	-	-	4,579,084	4,310,701		
Property-related expenses	-	-	1,041,147	884,552	-	-	1,041,147	884,552	-	-	-	-	1,041,147	884,552		
Interest expense to participants	-	-	-	-	17,291,766	2,193,576	17,291,766	2,193,576	-	-	(3,632,245)	699,864	13,659,521	2,893,440		
Mission grant expense	-	-	-	-	302,741	715,637	302,741	715,637	-	-	-	-	302,741	715,637		
Investment management and trustee fees	-	-	-	-	879,952	1,030,675	879,952	1,030,675	-	-	-	-	879,952	1,030,675		
Provision for parish loan losses	-	-	-	-	1,089,409	-	1,089,409	-	-	-	-	-	1,089,409	-		
Total expenses	36,310,179	25,692,964	1,041,147	884,552	19,563,868	3,939,888	56,915,194	30,517,404	-	-	(3,632,245)	699,864	53,282,949	31,217,268		
Increase (decrease) in net assets	26,610	630,579	1,014,476	43,957	2,715,977	(3,895,852)	3,757,063	(3,221,316)	(9,461,881)	4,357,222	-	-	(5,704,818)	1,135,906		
Net (deficit) assets, beginning of year (Note A)	(787,765)	(1,418,344)	45,838,456	45,794,499	21,266,854	25,162,706	66,317,545	69,538,861	19,587,557	15,230,335	-	-	85,905,102	84,769,196		
Net (deficit) assets, end of year (Note A)	\$ (761,155)	\$ (787,765)	\$ 46,852,932	\$ 45,838,456	\$ 23,982,831	\$ 21,266,854	\$ 70,074,608	\$ 66,317,545	\$ 10,125,676	\$ 19,587,557	\$ -	\$ -	\$ 80,200,284	\$ 85,905,102		

The accompanying notes are an integral part of these statements

Diocese of Rockville Centre
Administrative Offices

STATEMENTS OF CASH FLOWS

For the years ended August 31, 2003 and 2002

	2003	2002
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (5,704,818)	\$ 1,135,906
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	854,856	677,824
Realized losses on sales of investments	1,303,244	8,557,480
Unrealized (appreciation) depreciation in fair market value of investments	(11,925,559)	4,368,672
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(544,830)	602,739
Decrease (increase) in accrued interest receivable	740,277	(232,481)
Decrease (increase) in prepaid expenses	48,264	(8,655)
Increase (decrease) in accounts payable and accrued expenses	1,235,663	(3,669,404)
(Decrease) increase in funds held for others	(962,200)	364,738
Decrease in deferred revenue and support	(3,055)	(25,675)
Net cash (used in) provided by operating activities	(14,958,158)	11,771,144
Cash flows from investing activities:		
Sales (purchases) of investments, net	2,293,111	(21,590,390)
Purchases of property and equipment	(1,109,215)	(2,994,324)
Net cash provided by (used in) investing activities	1,183,896	(24,584,714)
Cash flows from financing activities:		
(Increase) decrease in loans receivable	(1,213,648)	1,826,798
Increase in funds on deposit	12,478,780	12,770,379
Increase in reserve for guaranteed loans	836,000	-
Net cash provided by financing activities	12,101,132	14,597,177
Net (decrease) increase in cash and cash equivalents	(1,673,130)	1,783,607
Cash and cash equivalents, beginning of year	12,643,467	10,859,860
Cash and cash equivalents, end of year	\$ 10,970,337	\$ 12,643,467

The accompanying notes are an integral part of these statements.

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS

August 31, 2003 and 2002

NOTE A - BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements include the funds and accounts, listed below, of the administrative and program offices and departments of the Roman Catholic Diocese of Rockville Centre (the “Administrative Offices”), which are under the control of the Diocesan Ordinary.

The Administrative Offices are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the New York State income tax laws. Accordingly, no provision for income taxes has been made.

The Administrative Offices’ financial statements distinguish between unrestricted, temporarily restricted, and permanently restricted net assets, as follows:

Unrestricted Net Assets

The Administrative Offices’ unrestricted net assets are comprised of the following:

Undesignated Funds - include all funds which are expendable, at the discretion of the Diocesan Ordinary, in consultation with Diocesan officials, for carrying on daily operations. These funds have neither been restricted by donors nor set aside for any specific purpose.

Designated Funds - include funds designated by the Diocesan Ordinary, in consultation with Diocesan officials, for specific purposes.

Designated net assets as of August 31, 2003 and 2002, consisted of the following:

	<u>2003</u>	<u>2002</u>
Plant Renewal & Replacement Fund	\$ 31,321,816	\$ 30,381,616
Special Diocesan Funds	8,141,579	8,141,579
Human Development Office	282,303	350,165
Education Capital Reserve Funds	558,948	541,309
Computer Capital Reserve Funds	309,836	300,059
Bishop’s Reserve Funds	210,513	150,029
Bequests	430,143	239,978
	<u>\$ 41,255,138</u>	<u>\$ 40,104,735</u>

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE A (continued)

Diocesan Deposit and Loan Account - is a cooperative investment and lending vehicle established for the mutual benefit of the parishes and other institutions of the Diocese of Rockville Centre (the "Diocese"). The Diocesan Deposit and Loan Account administers an investment pool. The pool consists primarily of U.S. Government and Agency securities, common stock, short-term commercial paper, loans to other Diocesan entities and other fixed income-type securities.

Custodian Funds - are monies received from special collections and appeals which are remitted to the proper agencies. These funds are entrusted to the Administrative Offices only for the purpose of receiving, holding and disbursing them according to the purpose of the collection or appeal.

Custodian Funds as of August 31, 2003 and 2002, consisted of the following:

	<u>2003</u>	<u>2002</u>
Balance, beginning of year	\$ 3,529,936	\$ 3,165,198
National collections received	2,746,524	4,846,862
National collections remitted	(2,404,649)	(1,694,947)
Other disbursements	<u>(1,304,075)</u>	<u>(2,787,177)</u>
Balance, end of year	<u>\$ 2,567,736</u>	<u>\$ 3,529,936</u>

Temporarily Restricted Net Assets - net assets of the Administrative Offices which have been limited by donor-imposed restrictions that either expire with the passage of time or can be fulfilled and removed by the actions of the Administrative Offices pursuant to those restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. The Administrative Offices records contributions of cash and other assets when an unconditional promise to give is received from a donor.

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE A (continued)

Temporarily restricted net assets as of August 31, 2003 and 2002, consisted of the following:

	2003	2002
Bishop's Annual Appeal	\$ 5,517,942	\$ 7,575,453
Meehan Fund	2,213,962	2,003,511
Religious Retirement Fund	810,199	8,594,191
Hulbert Fund	621,856	602,232
Trichler Fund	257,241	152,084
Dominican Republic Mission	247,005	257,068
Charitable Gift Annuities held for other Diocesan entities	73,870	87,713
Catholic Education Fund	52,191	25,570
McGann Mercy High School	47,235	-
"Called By Name" Vocation Fund	45,591	44,153
The Catherine & Joseph Kempf Memorial Fund	43,556	41,856
Estate of Rev. John Donlon	43,148	40,127
Estate of Kathleen O'Rourke	36,474	34,075
Special Scouting Fund	28,940	25,175
PSE Account	17,402	15,898
Dunajsky Estate	15,960	15,158
Voza Fund	15,652	-
Education Burse for Religious	13,422	12,145
Bishop Baldwin Scholarship Fund	11,330	10,075
Other Funds	12,700	12,849
Disaster Relief	-	13,145
Madelyn McGunnigle Memorial Burse	-	25,079
	\$10,125,676	\$19,587,557

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE A (continued)

Permanently Restricted Net Assets - include funds whereby the donors have stipulated that the principal contributed be invested and maintained intact in perpetuity. Income earned from these investments is available for expenditures according to restrictions imposed by the donors, if any. Permanently restricted net assets as of August 31, 2003 and 2002, consisted of the following:

	2003	2002
Beecroft Fund	\$ 400,241	\$ 400,241
Estate of Rev. John Donlon	34,278	34,278
Estate of Kathleen O'Rourke	25,000	25,000
PSE Account	21,140	21,140
Bishop Baldwin Scholarship Fund	20,828	20,828
Education Burse for Religious	19,304	19,304
Estate of Emma M. Kenyon	8,910	8,910
Rev. Charles Murphy Memorial Burse	8,000	8,000
Madelyn McGunnigle Memorial Burse	7,321	7,321
	\$ 545,022	\$ 545,022

All material interfund transactions have been eliminated in the accompanying financial statements.

The accompanying financial statements do not include certain other activities of the Diocese such as parishes, educational institutions, seminary, cemeteries, hospitals, newspapers, insurance offices, the television center, pension and retirement plans, Catholic Charities and Pontifical Mission Aid Societies. The accompanying statements of activities for the years ended August 31, 2003 and 2002 do not include revenue and expense activities of the custodian funds and permanently restricted net assets. Custodian funds serve as a conduit and do not have net asset activities. The permanently restricted net assets had no changes in net assets during the years ended August 31, 2003 and 2002.

The following represents the significant accounting policies of the Administrative Offices:

1. Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE A (continued)

2. *Cash and Cash Equivalents*

Cash and cash equivalents includes cash and money market funds held in banks as well as temporary cash investments which are defined below. Cash and cash equivalents excludes cash equivalents held by investment managers.

3. *Operating Properties*

Fixed assets are recorded at cost, less accumulated depreciation, in the unrestricted funds. Depreciation expense is provided on a straight-line basis over the following estimated useful lives:

Buildings and improvements	20 years
Equipment and other	3–6 years

4. *Contributed Services*

Support arising from contributed services of certain personnel has been recognized in the accompanying financial statements. The computation of the value of the contribution of these services represents the difference between the stipends and other amounts paid to or on behalf of clergy and religious personnel and the comparable compensation which would be paid to lay persons if lay persons were to occupy these positions. No computation is made for these positions, which can be held only by clergy and religious personnel.

The value of the contribution is recognized equally as revenue and expense in the accompanying financial statements, to reflect both the contribution of service and the value of expense that would have been incurred had the personnel received the lay equivalent salary. The expense associated with contributed services is included in the accompanying financial statements on a functional basis for the years ended August 31, 2003 and 2002, as follows:

	2003	2002
Pastoral services	\$ 774,186	\$ 870,205
Educational services	344,101	394,705
Religious personnel development	<u>244,619</u>	<u>208,050</u>
	<u>\$ 1,362,906</u>	<u>\$ 1,472,960</u>

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE A (continued)

5. *Functional Allocation of Expenses*

The costs of providing the various programs and other activities of the Diocese 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.

6. *Use of Estimates*

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 reporting period. Actual results could differ from those estimates.

7. *Reclassifications*

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE B - INVESTMENTS

The Administrative Offices records investments in equity securities, with readily determinable fair values, and all investments in debt securities at fair market value, with gains and losses included in the accompanying statements of activities.

As of August 31, 2003 and 2002, the investments of the Diocesan Deposit and Loan Account were comprised of the following:

	2003	
	<u>Book Value</u>	<u>Fair Market Value</u>
Cash equivalents	\$ 46,991,786	\$ 46,991,786
Common stock	64,418,745	72,192,739
Corporate bonds	114,603,141	116,933,570
U.S. Government and agency securities	<u>74,798,526</u>	<u>75,333,858</u>
	<u>\$ 300,812,198</u>	<u>\$ 311,451,953</u>

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE B (continued)

	2002	
	Book Value	Fair Market Value
Cash equivalents	\$ 3,999,422	\$ 3,999,422
Common stock	86,475,867	77,782,842
Corporate bonds	120,061,137	123,270,365
U.S. Government and agency securities	<u>93,872,172</u>	<u>98,070,120</u>
	<u>\$ 304,408,598</u>	<u>\$ 303,122,749</u>

Investment return (loss) included unrealized appreciation (depreciation) in fair market value of investments of \$11,925,559 and (\$4,368,672) for the years ended August 31, 2003 and 2002, respectively.

NOTE C - ACCOUNTS RECEIVABLE FROM PARISHES

As of August 31, 2003 and 2002, unrestricted net assets included accounts receivable from parishes, relating to assessments receivable and building commission fees, totaling \$897,225 and \$463,514, respectively. In order to ensure the collectibility of such receivables and amounts owed to other Diocesan entities by parishes, the Administrative Offices has guaranteed the issuance of a loan from the Diocesan Deposit and Loan Account or has granted a loan to certain parishes after August 31, 2003 and 2002 in order to repay the liability due. See Note J regarding the Administrative Offices' guarantee of certain parish receivables.

NOTE D - OPERATING PROPERTIES, NET

Operating properties, net, consisted of the following as of August 31, 2003 and 2002:

	2003	2002
Land	\$ 563,884	\$ 563,884
Buildings and improvements	11,976,806	11,596,873
Equipment and other	<u>5,099,326</u>	<u>4,805,061</u>
	17,640,016	16,965,818
Less: Accumulated depreciation	<u>(8,625,413)</u>	<u>(7,801,367)</u>
	<u>\$ 9,014,603</u>	<u>\$ 9,164,451</u>

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE E - BISHOP'S ANNUAL APPEAL CONTRIBUTIONS, NET

Bishop's Annual Appeal contributions, net, consisted of the following for the years ended August 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Contributions	\$ 8,327,101	\$ 12,759,493
Parish Sharing	<u>(982,050)</u>	<u>(2,573,114)</u>
	<u>\$ 7,345,051</u>	<u>\$ 10,186,379</u>

NOTE F - JUBILEE 2000 FUND

The Jubilee 2000 Fund was established during the fiscal year ended August 31, 2000 to assist parishes with debt elimination and deferred maintenance projects. The results of this effort are entirely reflected in the accompanying statements of activities of the Diocesan Deposit and Loan Account as a portion of the Mission Fund component.

Through August 31, 2002, parishes, institutions and individuals have pledged \$11,966,466 to the Jubilee 2000 Fund. No additional pledges were made during the year ended August 31, 2003 and all but \$50,000 has been received as of August 31, 2003.

Grant applications for assistance were received from forty parishes. The grant awards recommended by the Jubilee 2000 Fund Advisory Board were approved by the late Bishop James McHugh, Third Bishop of Rockville Centre. The terms of the Jubilee plans for 39 parishes have been completed, with one parish outstanding. Total awards amounted to \$16,310,164, of which \$16,260,164 was distributed between the years ended August 31, 2002 and 2001. No additional amounts were distributed during the year ended August 31, 2003. Grants payable as of August 31, 2003 and 2002, amounted to \$50,000 each year, which is included in accounts payable and accrued expenses on the accompanying statements of financial position.

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE G - PENSION AND RETIREMENT PLANS

The Administrative Offices is a participant in the noncontributory lay pension plan established by the Diocese of Rockville Centre covering employees who meet certain minimum service requirements. The Administrative Offices also participates in a noncontributory retirement 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 Administrative Offices standing alone. In addition, because the plans are considered multi-employer plans, they are only subject to certain minimum reporting requirements of SFAS No. 87, *Employers' Accounting for Pensions*, as amended by SFAS No. 132, *Employers' Disclosures about Pensions and Other Postretirement Benefits*. Pension expense allocated to the Administrative Offices for the years ended August 31, 2003 and 2002 totaled approximately \$262,000 and \$196,000, respectively, for the noncontributory lay pension plan and \$144,000 and \$154,000, respectively, for the noncontributory retirement plan for clergy.

NOTE H - CHARITABLE GIFT ANNUITIES

The Administrative Offices' investments include deferred giving vehicles subject to split-interest agreements ("charitable gift annuities") of \$276,345 and \$237,089 as of August 31, 2003 and 2002, respectively. Charitable gift annuities are irrevocable gifts under which the Diocese agreed to pay a life annuity to the donor or designated beneficiary. The donor can designate the Diocese, parish or other Catholic entity to be the ultimate recipient of the gift. Donors 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 attendant 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.

Published IRS discount rates are employed to determine the net present value of both contributions and liabilities pertaining to these deferred giving arrangements. For the years ended August 31, 2003 and 2002, contributions under charitable gift annuities approximated \$39,000 and \$228,000, respectively, and are included in the accompanying statements of activities.

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE I - RELATED PARTY TRANSACTIONS

1. *Catholic Charities*

The Administrative Offices distributed \$1,900,000 to Catholic Charities from the Bishop's Annual Appeal in each of the years ended August 31, 2003 and 2002.

2. *Catholic Schools*

For the years ended August 31, 2003 and 2002, the Administrative Offices provided parish and regional elementary schools with grants of approximately \$1,000,000 each year to assist in their operations. The Administrative Offices also provided Catholic high schools with subsidies of approximately \$2,771,000 and \$1,094,000 for the years ended August 31, 2003 and 2002, respectively.

3. *Seminary of the Immaculate Conception*

The Administrative Offices provided the Diocesan seminary with subsidies of approximately \$1,601,000 and \$1,629,000, including tuition reimbursement, for the years ended August 31, 2003 and 2002, respectively, to help support the training of men for the priesthood.

4. *Catholic Cemeteries*

The Administrative Offices received contributions of approximately \$1,881,000 and \$1,999,000 from the Catholic Cemeteries of the Diocese for the years ended August 31, 2003 and 2002, respectively, in order to help support the Bishop's various ministries.

5. *Insurance and Benefits Departments*

The Administrative Offices, parishes and other Diocesan entities are self-insured with regard to property and casualty insurance through the Protected Self Insurance Program ("PSIP"). The Diocesan Health Plan of the Diocese of Rockville Centre ("Diocesan Health Plan") also exists to provide health coverage to employees of Diocesan and parish entities. Insurance premiums charged by the PSIP to the Administrative Offices totaled approximately \$159,000 and \$179,000 for the years ended August 31, 2003 and 2002, respectively. The Administrative Offices paid insurance premiums of approximately \$1,216,000 and \$1,034,000 to the Diocesan Health Plan for the years ended August 31, 2003 and 2002, respectively.

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE I (continued)

6. *Telecare*

The Administrative Offices provided Telecare with subsidies of \$408,425 in each of the years ended August 31, 2003 and 2002, to help support the Diocesan television station. The Administrative Offices has committed to continue to subsidize the operations of Telecare at least through August 31, 2004.

NOTE J - COMMITMENTS

1. *Parish Receivables*

The Administrative Offices has guaranteed that loans would be granted to certain parishes through the Diocesan Deposit and Loan Account so that such parishes could pay certain liabilities to the Administrative Offices unrestricted net assets (Note C) and other Diocesan related entities. As of August 31, 2003 and 2002, the Administrative Offices has accrued \$1,461,000 and \$625,000, respectively, as a reserve for losses on the collection of these loans.

2. *Religious Retirement Fund*

The Diocese is committed to contribute future proceeds from joint collections by the Diocese and the Diocese of Brooklyn to the Religious Retirement Fund through fiscal 2004. This commitment is expected to be funded by past and future direct appeals made to the people of the Diocese. The Religious Retirement Fund was established as a joint effort with the Diocese of Brooklyn to provide for the future needs of elderly religious priests, brothers and sisters who serve or have served either of the two dioceses. The amount collected, net of expenses, and transferred to the Interdiocesan Religious Retirement fund for fiscal 2003 and 2002 was \$1,030,549 and \$1,019,834, respectively.

The Diocese transferred an additional \$7,767,302 to the Interdiocesan Religious Retirement fund during fiscal 2003. These funds were held by the Administrative Offices as they were collected in connection with of the Religious Retirement collection.

Diocese of Rockville Centre
Administrative Offices

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE J (continued)

3. Catholic Schools

The Administrative Offices has committed to provide up to \$1,000,000 in grants to parish and regional elementary schools for the 2003-2004 school year. For the years ended August 31, 2003 and 2002, the Administrative Offices provided approximately \$998,000 and \$1,000,000, respectively, in such grants.

4. Parish Grants

The Administrative Offices has committed to provide \$800,000 in grants to parishes. The distribution was accrued in fiscal 2003 and paid subsequent to year-end.

SUPPLEMENTARY INFORMATION

Diocese of Rockville Centre
Administrative Offices

UNDESIGNATED UNRESTRICTED FUNDS - DETAIL OF EXPENSES

For the years ended August 31, 2003 and 2002

	2003	2002
Pastoral services:		
Bishop's Office	\$ 1,254,942	\$ 1,080,151
Chancery	528,109	405,445
Office of the Tribunal	835,693	840,630
Youth Ministry	409,182	548,184
Office of Hispanic Ministry	787,864	716,917
Hospital Apostolate and Chaplaincy Service	963,507	1,043,802
Pastoral Research and Planning Office	160,264	58,090
Prison Team Ministry	405,409	407,657
Dominican Republic Mission	118,461	146,043
Extra Diocesan Ministries	442,851	653,798
Charismatic Renewal Services	334,972	345,481
Parish Stewardship	629,193	614,348
Ecumenical affairs	85,114	58,868
Parish grants	1,104,575	604,440
Office of Public Relations	<u>311,014</u>	<u>286,753</u>
	<u>\$ 8,371,150</u>	<u>\$ 7,810,607</u>
Educational services:		
Education Department	\$ 1,582,530	\$ 1,355,776
Office of Catechesis (1)	689,072	694,065
Office of Worship (1)	297,662	252,228
Office of Family and Laity (2)	1,508,779	1,472,600
Respect Life	178,815	471
Diocesan Television Center Operating Subsidy	408,425	408,425
Campus Ministry	337,898	425,027
Holy Trinity High School Subsidy	292,777	195,596
St. John the Baptist High School Subsidy	1,344,427	840,185
McGann Mercy High School Subsidy	1,133,807	58,560
Ministry to Catholics of African Ancestry	159,181	159,109
Haitian Ministry	199,624	188,751
Parish and Regional Elementary School grants	<u>997,613</u>	<u>1,000,300</u>
	<u>\$ 9,130,610</u>	<u>\$ 7,051,093</u>

(1) In the August 31, 2002 and 2001 financial statements, these amounts were combined and displayed as Religious Education Department.

(2) In the August 31, 2002 and 2001 financial statements, this amount was separately displayed as Office of Family Ministry and Office of Pastoral Formation.

Diocese of Rockville Centre Administrative Offices

UNDESIGNATED UNRESTRICTED FUNDS - DETAIL OF EXPENSES (continued)

For the years ended August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Health and social services:		
Human Development and Housing Subsidies	\$ 130,000	\$ 65,250
Catholic Charities Distribution	1,900,000	1,900,000
World Trade Center Relief	<u>13,145</u>	<u>291,082</u>
	<u>\$ 2,043,145</u>	<u>\$ 2,256,332</u>
Religious personnel development:		
Vocations Office	\$ 237,210	\$ 192,691
Vicars for Religious	196,788	206,309
Office for Priest Personnel	193,764	185,225
St. Pius X Residence	378,963	373,134
Care and Training Expenses for Priests	549,137	362,142
Douglaston Residence	27,000	27,000
Seminary of the Immaculate Conception	1,459,146	1,492,479
Tuition Reimbursement - Clergy	142,256	136,974
Office of Deacons	199,350	239,854
Consultation Services	36,376	24,499
Priestly Life & Ministry	36,161	65,610
Interdiocesan Religious Retirement Fund	<u>8,730,039</u>	<u>958,314</u>
	<u>\$ 12,186,190</u>	<u>\$ 4,264,231</u>
Diocesan administration:		
Controllers Office	\$ 471,206	\$ 387,586
Internal Audit Office	189,776	222,804
Building Office	971,455	1,100,134
Bishop's Appeal Office	804,707	836,573
Purchased Services	1,127,548	594,531
Other Pastoral Center Building Costs	66,119	69,260
Information Technology Office	357,308	388,097
Human Resource	258,545	270,966
Other	120,518	234,431
Treasury Operations	130,005	101,281
Building Costs - Roosevelt Campus	<u>81,897</u>	<u>105,038</u>
	<u>\$ 4,579,084</u>	<u>\$ 4,310,701</u>
TOTAL	<u>\$ 36,310,179</u>	<u>\$ 25,692,964</u>

This schedule should be read in conjunction with the accompanying financial statements and notes thereto.

