

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

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

August 31, 2003 and 2002

Grant Thornton 

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

We have audited the accompanying statements of financial position of Catholic Press Association of the Diocese of Rockville Centre, Inc. (the "Association") 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 Association'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 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 Catholic Press Association of the Diocese of Rockville Centre, Inc. 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 Association's basic financial statements taken as a whole, as of and for the years ended August 31, 2003 and 2002. The supplementary information included in the schedules of activities on pages 8 and 9 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 the 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
October 17, 2003

Catholic Press Association
of the Diocese of Rockville Centre, Inc.

STATEMENTS OF FINANCIAL POSITION

As of August 31, 2003 and 2002

<u>ASSETS</u>	<u>2003</u>	<u>2002</u>
Cash	\$ 313,629	\$ 344,907
Accounts receivable:		
Advertisers and other, less allowance for doubtful accounts of \$22,971 and \$25,098 in 2003 and 2002, respectively	95,722	109,273
Parishes, less allowance for doubtful accounts of \$49,850 and \$19,373 in 2003 and 2002, respectively	144,497	132,753
Investment in Diocesan Deposit and Loan Account (Note B)	1,760,081	1,704,537
Furniture, fixtures and leasehold improvements, net (Note A)	387,002	426,379
Other assets	9,910	10,567
Total assets	\$ 2,710,841	\$ 2,728,416
<u>LIABILITIES AND UNRESTRICTED NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 88,713	\$ 122,599
Deferred revenue	21,863	33,240
Total liabilities	110,576	155,839
Unrestricted net assets:		
Unappropriated funds, incorporated under the Membership Corporation Law of the State of New York	2,600,265	2,572,577
Total liabilities and unrestricted net assets	\$ 2,710,841	\$ 2,728,416

The accompanying notes are an integral part of these statements.

Catholic Press Association
of the Diocese of Rockville Centre, Inc.

STATEMENTS OF ACTIVITIES

For the years ended August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Revenue:		
Subscriptions:		
Parishes	\$ 1,549,624	\$ 1,560,857
Other	<u>27,174</u>	<u>31,749</u>
	1,576,798	1,592,606
Advertising	1,189,097	1,322,463
Mailing list rental income	<u>29,546</u>	<u>27,943</u>
Total revenue	<u>2,795,441</u>	<u>2,943,012</u>
Operating expenses:		
Editorial	570,891	579,534
Advertising	1,276,164	1,361,943
Circulation	675,220	637,765
General	<u>302,360</u>	<u>284,716</u>
Total operating expenses	<u>2,824,635</u>	<u>2,863,958</u>
Operating (loss) income	(29,194)	79,054
Investment income (Note B)	<u>56,882</u>	<u>61,248</u>
Increase in unrestricted net assets	27,688	140,302
Unrestricted net assets, beginning of year	<u>2,572,577</u>	<u>2,432,275</u>
Unrestricted net assets, end of year	<u>\$ 2,600,265</u>	<u>\$ 2,572,577</u>

The accompanying notes are an integral part of these statements.

Catholic Press Association
of the Diocese of Rockville Centre, Inc.

STATEMENTS OF CASH FLOWS

For the years ended August 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
Increase in unrestricted net assets	\$ 27,688	\$ 140,302
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation and amortization expense	53,264	53,717
Changes in operating assets and liabilities:		
Increase (decrease) in allowance for doubtful accounts	28,350	(14,666)
(Increase) decrease in accounts receivable	(26,543)	49,713
Decrease in other assets	657	-
Decrease in accounts payable and accrued expenses	(33,886)	(7,396)
Decrease in deferred revenue	<u>(11,377)</u>	<u>(39,634)</u>
Net cash provided by operating activities	<u>38,153</u>	<u>182,036</u>
Cash flows from investing activities:		
(Increase) decrease in investment in Diocesan Deposit and Loan Account	(55,544)	140,443
Purchases of furniture, fixtures and leasehold improvements	<u>(13,887)</u>	<u>(315,657)</u>
Net cash used in investing activities	<u>(69,431)</u>	<u>(175,214)</u>
Net (decrease) increase in cash	(31,278)	6,822
Cash, beginning of year	<u>344,907</u>	<u>338,085</u>
Cash, end of year	<u>\$ 313,629</u>	<u>\$ 344,907</u>

The accompanying notes are an integral part of these statements.

Catholic Press Association
of the Diocese of Rockville Centre, Inc.

NOTES TO FINANCIAL STATEMENTS

August 31, 2003 and 2002

NOTE A - NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Business

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

2. Basis of Accounting and Presentation

A summary of the Association's significant accounting policies follows:

The financial statements of the Association are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Association's financial statements are presented in accordance with Statement of Financial Accounting Standards ("SFAS") No. 117, "Financial Statements of Not-For-Profit Organizations", and accordingly, distinguish between unrestricted, temporarily restricted, and permanently restricted net assets, as follows:

Unrestricted Net Assets - include all resources that are expendable for carrying on the Association's operations.

At August 31, 2003 and 2002, the Association did not possess any temporarily or permanently restricted net assets.

3. Revenue Recognition

Subscription and advertising income is recognized monthly as newspaper editions are issued.

4. Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements are stated at cost. Depreciation on furniture and fixtures is determined using the straight-line method based on estimated useful lives of 5 years. Leasehold improvements are amortized using the straight-line method based on the shorter of the lease term or their estimated useful life, generally 20 years.

Catholic Press Association
of the Diocese of Rockville Centre, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE A (continued)

Furniture, fixtures and leasehold improvements, net consisted of the following at August 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Furniture and fixtures	\$ 356,580	\$ 353,927
Leasehold improvements	<u>359,319</u>	<u>348,085</u>
	715,899	702,012
Less: Accumulated depreciation and amortization	<u>328,897</u>	<u>275,633</u>
	<u>\$ 387,002</u>	<u>\$ 426,379</u>

5. *Tax Status*

The Association's income is 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, except for income not related to its tax-exempt purpose (revenues from business advertising). No income taxes were incurred for the years ended August 31, 2003 and 2002, as direct advertising expenses exceeded advertising income.

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 reclassifications have been made to prior year amounts to conform with the current year presentation.

Catholic Press Association
of the Diocese of Rockville Centre, Inc.

NOTES TO FINANCIAL STATEMENTS (continued)

August 31, 2003 and 2002

NOTE B - INVESTMENT IN DIOCESAN DEPOSIT AND LOAN ACCOUNT

The Association is a participant in the Diocesan Deposit and Loan Account (the "DLA"). The DLA is administered by the Administrative Offices of the Diocese of Rockville Centre. The Association's investment in the DLA earns interest at a rate of 75% of prime, adjusted quarterly (3.0625% at August 31, 2003). This investment is valued at cost plus accumulated interest.

NOTE C - PENSION PLAN

The Association is a participant in the noncontributory lay pension plan established by the Diocese covering employees who meet certain minimum service requirements. Due to the nature of the plan, it is not practicable to determine the extent to which the assets of the plan cover the actuarially computed value of vested benefits for the Association standing alone. In addition, because the plan is considered a multi-employer plan, it is not subject to the 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 Association was approximately \$51,000 and \$52,000 for the years ended August 31, 2003 and 2002, respectively.

NOTE D - RELATED PARTY TRANSACTIONS

The Association leases its facility from the Diocese under a verbal agreement which expires in 2021. Rental expense under this lease was \$86,046 and \$77,040 for the years ended August 31, 2003 and 2002, respectively.

NOTE E - COMMITMENTS

The Association is obligated under a verbal agreement with the Diocese for its facility and various operating leases for its office equipment. Future minimum lease payments at August 31, 2003 are as follows:

<u>Fiscal</u>	
2004	\$ 82,992
2005	80,924
2006	80,924
2007	80,924
2008	77,672
Thereafter	<u>1,001,520</u>
	<u>\$ 1,404,956</u>

SUPPLEMENTARY INFORMATION

Catholic Press Association
of the Diocese of Rockville Centre, Inc.

SUPPLEMENTARY INFORMATION - SCHEDULES OF ACTIVITIES

For the years ended August 31, 2003 and 2002

	2003	2002
Editorial expenses:		
Salaries	\$ 432,546	\$ 461,149
Employee benefits	52,127	36,678
News and feature services	58,202	49,456
Travel and car allowance	10,422	13,964
Telephone and telegraph	3,677	4,004
Dues and memberships	4,568	5,007
Supplies	755	1,699
Outside services	45	61
Papers, magazines, etc.	4,372	4,337
Miscellaneous	4,177	3,179
	\$ 570,891	\$ 579,534
Advertising expenses:		
Salaries	\$ 401,506	\$ 402,912
Employee benefits	59,626	55,183
Advertising agency commissions	-	246
Travel	1,218	2,032
Salesmen's commissions	128,882	141,003
Provision for bad debts	10,180	2,957
Promotion and outside services	9,679	8,429
Telephone	6,074	5,909
Supplies	2,592	2,107
Dues and memberships	2,990	49
Pension plan contribution	25,066	25,231
Depreciation and amortization	25,567	26,858
Audit and collection	3,929	3,697
List maintenance	4,135	4,830
Payroll taxes	38,733	40,024
Rental expense	41,302	43,527
Insurance	7,982	6,789
Newsprint	106,786	142,180
Printing	127,004	138,972
Postage	267,275	297,676
Rental office machinery	4,343	6,000
New York State unrelated business tax filing fee	250	250
Repairs – office equipment	1,045	5,082
	\$1,276,164	\$1,361,943

These schedules should be read in conjunction with the accompanying financial statements and notes thereto.

Catholic Press Association
of the Diocese of Rockville Centre, Inc.

SUPPLEMENTARY INFORMATION - SCHEDULES OF ACTIVITIES (continued)

For the years ended August 31, 2003 and 2002

	2003	2002
Circulation expenses:		
Salaries	\$ 39,323	\$ 35,558
Employee benefits	9,600	8,993
Printing	149,092	138,572
Newsprint	125,358	148,260
Postage	313,758	294,201
Mailing list service and maintenance	4,854	4,830
Promotion	2,758	7,351
Provision for bad debts	30,477	-
	\$ 675,220	\$ 637,765
General expenses:		
Salaries	\$ 87,391	\$ 74,082
Employee benefits	8,315	12,235
Rent and related costs	44,744	43,526
Telephone and telegraph	4,877	3,879
Pension plan contribution	26,405	26,472
Social Security tax	40,802	41,993
Depreciation and amortization	27,697	26,859
Postage	12,789	9,487
Stationery and printing	11,565	7,436
Professional fees	3,930	3,696
Insurance	8,648	7,066
Rental of office equipment	4,705	6,244
Travel	2,336	2,809
Repairs and maintenance of office equipment	1,141	5,289
Miscellaneous	8,497	7,198
Credit card charges	3,053	2,215
Data processing support services	5,465	4,230
	\$ 302,360	\$ 284,716

These schedules should be read in conjunction with the accompanying financial statements and notes thereto.