



**MISSION ASSISTANCE CORPORATION**

Financial Statements

August 31, 2007 and 2006

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
345 Park Avenue  
New York, NY 10154

## **Independent Auditors' Report**

The Board of Directors  
Mission Assistance Corporation:

We have audited the accompanying statements of financial position of the Mission Assistance Corporation (MAC) as of August 31, 2007 and 2006, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of MAC'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 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 MAC's 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 Mission Assistance Corporation as of August 31, 2007 and 2006, 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.

**KPMG LLP**

March 31, 2008

**MISSION ASSISTANCE CORPORATION**

Statements of Financial Position

August 31, 2007 and 2006

| <b>Assets</b>   | <b>2007</b>         | <b>2006</b>      |
|---|---------------------|------------------|
| Cash and cash equivalents                                 | \$ 160,198          | 7,000            |
| Investments (note 3)                                      | 5,935,939           | 4,681,206        |
| Mission fees receivable from Unitas Investment Fund, Inc. | —                   | 276,042          |
| Interest receivable from parishes (note 4)                | 39,381              | 7,210            |
| Loans receivable from parishes (note 4)                   | 1,826,379           | 1,377,860        |
| Total assets  | <u>\$ 7,961,897</u> | <u>6,349,318</u> |
| <b>Liabilities and Net Assets</b>                         |                     |                  |
| Liabilities:  |                     |                  |
| Due to other Diocesan Organizations (note 7)              | \$ 572,345          | —                |
| Grant payable (note 6)                                    | 507,811             | —                |
| Total liabilities   | 1,080,156           | —                |
| Net assets – unrestricted                                 | 6,881,741           | 6,349,318        |
| Total liabilities and net assets                          | <u>\$ 7,961,897</u> | <u>6,349,318</u> |

See accompanying notes to financial statements.

**MISSION ASSISTANCE CORPORATION**

Statements of Activities

Years ended August 31, 2007 and 2006

|   | <b>2007</b>  | <b>2006</b> |
|---|--------------|-------------|
| Revenues:   |              |             |
| Mission fees (note 3)   | \$ 817,839   | 736,704     |
| Net appreciation in fair value of investments   | 330,947      | 234,574     |
| Interest income on loans receivable   | 114,604      | 7,210       |
| Imputed interest (note 4)   | 33,424       | 17,875      |
| Accreted income on acquired loans and receivables (note 4)                            | 228,802      | —           |
| Other income  | —            | 7,000       |
| Total revenues  | 1,525,616    | 1,003,363   |
| Expenses:   |              |             |
| Forgiveness of parish loans (note 4)  | 169,127      | 14,334      |
| Direct grants to parishes (note 5)  | 783,642      | —           |
| Interest grant (note 4)   | 33,424       | 17,875      |
| Professional fees   | 7,000        | —           |
| Total expenses  | 993,193      | 32,209      |
| Excess of revenues over expenses before grant from<br>the Diocese of Rockville Centre | 532,423      | 971,154     |
| Grant from the Diocese of Rockville Centre (note 1)                                   | —            | 5,378,164   |
| Increase in net assets  | 532,423      | 6,349,318   |
| Net assets at beginning of year   | 6,349,318    | —           |
| Net assets at end of year   | \$ 6,881,741 | 6,349,318   |

See accompanying notes to financial statements.

**MISSION ASSISTANCE CORPORATION**

Statements of Cash Flows

Years ended August 31, 2007 and 2006

|   | <b>2007</b> | <b>2006</b> |
|---|-------------|-------------|
| Cash flows from operating activities:   |             |             |
| Increase in net assets  | \$ 532,423  | 6,349,318   |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: |             |             |
| Contributed investments   | —           | (5,378,164) |
| Loan forgiveness  | 169,127     | 14,334      |
| Net appreciation in fair value of investments   | (330,947)   | (234,574)   |
| Decrease (increase) in mission fees receivable from Unitas Investment Fund, Inc.              | 276,042     | (276,042)   |
| Increase in interest receivable from parishes   | (32,171)    | (7,210)     |
| Increase in due to other Diocesan Organizations   | 572,345     | —           |
| Increase in grant payable   | 507,811     | —           |
| Net cash provided by operating activities   | 1,694,630   | 467,662     |
| Cash flows from investing activities:   |             |             |
| Purchases of investments  | (1,778,075) | (540,662)   |
| Proceeds from sales of investments  | 854,289     | 1,472,194   |
| Purchases of loans from Diocese   | (830,038)   | —           |
| Originated loans to parishes  | (673,563)   | (1,472,194) |
| Parish loan payments  | 885,955     | 80,000      |
| Net cash used in investing activities   | (1,541,432) | (460,662)   |
| Net increase in cash and cash equivalents   | 153,198     | 7,000       |
| Cash and cash equivalents at beginning of year  | 7,000       | —           |
| Cash and cash equivalents at end of year  | \$ 160,198  | 7,000       |

See accompanying notes to financial statements.

# MISSION ASSISTANCE CORPORATION

## Notes to Financial Statements

August 31, 2007 and 2006

### (1) Organization

Mission Assistance Corporation (MAC) is a not-for-profit corporation organized under the laws of the State of New York. MAC was established on September 1, 2005 by a transfer of \$5,378,164 of investments from the mission fund of the Diocesan Deposit and Loan Account of the Administrative Offices of the Roman Catholic Diocese of Rockville Centre, a related party, for the purpose of administering loans to parishes in need. Such loans may be for, but not limited to, short-term bridge financing, construction and repairs. In addition, MAC periodically provides financial grants to parishes that without such grants would be unable to fulfill the mission of the Church.

MAC is classified as a 501(c)(3) organization and is exempt from Federal income taxes under Section 501(a) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

### (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, MAC's financial statements distinguish between unrestricted, temporarily restricted and permanently restricted net assets, based upon the existence or absence of donor-imposed restrictions, as follows:

*Unrestricted net assets* – include amounts that have not been donor-restricted and are available for use in carrying out the general operations of MAC.

*Temporarily restricted net assets* – include amounts that 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 MAC pursuant to those stipulations.

*Permanently restricted net assets* – include amounts whereby donors have stipulated that the principal contributed be maintained in perpetuity.

MAC did not have any temporarily or permanently restricted net assets as of and for the years ended August 31, 2007 and 2006.

#### (b) Cash Equivalents

Cash equivalents are comprised of highly liquid instruments with original maturities of three months or less, except for those instruments held by investment managers for long-term investment purposes.

#### (c) Loans to Parishes

Loans are evaluated individually for impairment in accordance with Statement of Financial Accounting Standards No. 114, *Accounting by Creditors for Impairment of a Loan – An Amendment of FASB Statements No. 5 and 15*. As of August 31, 2007 and 2006, no loans are considered impaired and no allowance has been established.

**MISSION ASSISTANCE CORPORATION**

Notes to Financial Statements

August 31, 2007 and 2006

**(d) 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.

**(3) Investments and Mission Fee**

MAC's investments are in a pooled investment fund held by Unitas Investment Fund, Inc. (Unitas), a separately incorporated, nonregulated investment fund organized to provide investment options to Roman Catholic organizations in the Diocese of Rockville Centre. Unitas offers investment options to participants including a short-term enhanced cash fund, fixed income and equity offerings. The investments in Unitas are carried at fair value based principally upon the quoted market prices of the underlying assets of the 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 positive return. The mission fee is payable to MAC and is recognized by MAC as it is earned. The rates range from 0.05% to 0.5% annually depending upon the investment options chosen.

Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

At August 31, 2007 and 2006, investments were comprised of the following:

|                          | <u>2007</u>         | <u>2006</u>      |
|--------------------------|---------------------|------------------|
| Unitas Short-Term Fund   | \$ 2,977,135        | 2,993,313        |
| Unitas Balanced Fund     | 2,927,264           | 1,687,893        |
| Unitas Fixed Income Fund | 31,540              | —                |
| Total investments        | <u>\$ 5,935,939</u> | <u>4,681,206</u> |

**(4) Receivables from Parishes**

**(a) Loans Receivable from Parishes**

Principal payments on loans may be scheduled monthly, quarterly, annually, or at maturity only; such terms are negotiated on a loan-by-loan basis between MAC and the individual parish. Parishes retain the right to prepay their loans at any time without penalty. MAC retains the right to renegotiate a loan at any time prior to maturity.

## MISSION ASSISTANCE CORPORATION

### Notes to Financial Statements

August 31, 2007 and 2006

**(b) *Interest Receivable from Parishes***

Loans to parishes generally bear interest equal to 85% of the prime rate (standard rate), calculated on a quarterly basis, in arrears, with maturity dates through 2016. At the discretion of MAC's board of directors, loans may be made at reduced interest rates or be interest free. The difference between interest computed at the standard rate and reduced or 0% rates is reflected as imputed interest revenue and interest grant in the accompanying financial statements.

**(c) *Gain on Acquired Loans and Receivables***

Occasionally, parishes are unable to fulfill their financial obligations to the various Diocesan entities. MAC purchases these loans or receivables from the entities at what the entities have calculated to be the net realizable value and negotiates a repayment plan with the parish. In some instances, the total principal payments to be received by MAC under the negotiated payment plan exceed MAC's cost of purchasing the receivable. In these cases, the amount that MAC receives in excess of the purchase price of the loan is recognized as revenue in the statement of activities in proportion to the loan principal payments received. The difference between the carrying value of the loans and the total of payments anticipated under the renegotiated payment plans at August 31, 2007 was \$893,591.

**(d) *Forgiveness of Parish Loans***

MAC may negotiate a repayment plan with a parish where the total principal payments to be received by MAC are less than MAC's cost of acquiring the receivable. Under these circumstances, MAC recognizes an expense equal to the excess of MAC's cost over the total principal payments to be received from the parish.

**(5) *Direct Grants to Parishes***

MAC may also make debt repayments on behalf of a parish without the assumption of a new loan. Such repayments are recorded as direct grants to parishes.

**(6) *Grant Payable***

During 2007, MAC agreed to make a matching grant to a parish in an amount equal to cash received by the parish in connection with its capital campaign, up to a maximum amount of \$1.1 million. As of August 31, 2007, MAC has recognized a grant payable of \$507,811, for the amount of funds received by the parish as of that date. As of March 31, 2008, MAC has paid \$500,000 to the parish in partial fulfillment of this obligation. Also, subsequent to August 31, 2007 and through March 31, 2008, the parish has collected \$189,626 in connection with its campaign.

**(7) *Due to Other Diocesan Organizations***

Due to other Diocesan organizations at August 31, 2007 primarily represented amounts due to the Administrative Offices of the Diocese of Rockville Centre for expenses paid by that entity on behalf of MAC.