MISSION ASSISTANCE CORPORATION

Financial Statements

August 31, 2008 and 2007

(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, 2008 and 2007, 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, 2008 and 2007, 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

November 6, 2008

MISSION ASSISTANCE CORPORATION

Statements of Financial Position

August 31, 2008 and 2007

Assets		**2008**	**2007**
Cash and cash equivalents	$	66,721	160,198
Investments (note 3)		10,418,468	5,935,939
Interest receivable from parishes (note 4)		18,903	39,381
Loans receivable from parishes (note 4)		1,892,325	1,826,379
Total assets	$	12,396,417	7,961,897
Liabilities and Net Assets			
Liabilities:			
Due to other Diocesan Organizations (note 7)	$	—	572,345
Grant payable (note 6)		107,030	507,811
Total liabilities		107,030	1,080,156
Net assets – unrestricted		12,289,387	6,881,741
Total liabilities and net assets	$	12,396,417	7,961,897

See accompanying notes to financial statements.

MISSION ASSISTANCE CORPORATION

Statements of Activities

Years ended August 31, 2008 and 2007

		2008	2007
Revenues:			
Mission fees (note 3)	$	633,181	817,839
Net (depreciation) appreciation in fair value of investments		(203,568)	330,947
Interest income on loans receivable		99,126	114,604
Imputed interest (note 4)		31,708	33,424
Accreted income on acquired loans and receivables (note 4)		310,606	228,802
Total revenues		871,053	1,525,616
Expenses:			
Forgiveness of parish loans (note 4)		93,250	169,127
Direct grants to parishes (note 5)		324,219	783,642
Interest grant (note 4)		31,708	33,424
Professional fees		14,230	7,000
Total expenses		463,407	993,193
Excess of revenues over expenses before grant from the Diocese of Rockville Centre		407,646	532,423
Grant from the Diocese of Rockville Centre (note 8)		5,000,000	—
Increase in net assets		5,407,646	532,423
Net assets at beginning of year		6,881,741	6,349,318
Net assets at end of year	$	12,289,387	6,881,741

See accompanying notes to financial statements.

MISSION ASSISTANCE CORPORATION

Statements of Cash Flows

Years ended August 31, 2008 and 2007

		2008	2007
Cash flows from operating activities:			
Increase in net assets	$	5,407,646	532,423
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:			
Contributed investments from the Diocese of Rockville Centre		(5,000,000)	—
Loan forgiveness		93,250	169,127
Net depreciation (appreciation) in fair value of investments		203,568	(330,947)
Accreted income on acquired loans and receivables		(310,606)	(228,802)
Decrease in mission fees receivable from Unitas Investment Fund, Inc.		—	276,042
Decrease (increase) in interest receivable from parishes		20,478	(32,171)
(Decrease) increase in due to other Diocesan Organizations		(572,345)	572,345
(Decrease) increase in grant payable		(400,781)	507,811
Net cash (used in) provided by operating activities		(558,790)	1,465,828
Cash flows from investing activities:			
Purchases of investments		(1,593,592)	(1,778,075)
Proceeds from sales of investments		1,907,495	854,289
Purchases of loans from Diocese		(671,550)	(830,038)
Originated loans to parishes		(325,000)	(444,761)
Parish loan payments		1,147,960	885,955
Net cash provided by (used in) investing activities		465,313	(1,312,630)
Net (decrease) increase in cash and cash equivalents		(93,477)	153,198
Cash and cash equivalents at beginning of year		160,198	7,000
Cash and cash equivalents at end of year	$	66,721	160,198

See accompanying notes to financial statements.

(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 (the Diocese), 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, 2008 and 2007.

(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, 2008 and 2007, no loans are considered impaired and no allowance has been established.

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(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.

(e) Risks and Uncertainties

MAC invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

(f) New Accounting Standards

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and requires expanded disclosures about fair value measurements. SFAS 157 is effective for reporting periods beginning after November 15, 2007. MAC is currently evaluating the impact of SFAS 157 on its financial statements; however, the adoption of SFAS 157 will require additional disclosures regarding the inputs used to develop the fair value measurements and the impacts of certain measurements on the statement of activities.

In June 2006, FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an entity’s financial statements. FIN 48 requires entities to determine whether it is more-likely-than-not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. FIN 48 is currently effective for MAC’s August 31, 2010 financial statements. The adoption of FIN 48 is not expected to have a significant impact on MAC’s financial statements.

(g) Reclassifications

Certain amounts in the 2007 financial statements have been reclassified to conform to the 2008 presentation.

(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. 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, 2008 and 2007, investments were comprised of the following:

		2008	2007
Unitas Short-Term Fund	$	2,163,544	2,977,135
Unitas Balanced Fund		8,191,376	2,927,264
Unitas Equity-Weighted Fund		58,022	—
Unitas Income-Weighted Fund		2,138	—
Unitas Fixed Income Fund		3,388	31,540
Total investments	$	10,418,468	5,935,939

(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.

(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, 2008 and 2007 was $873,276 and $893,591, respectively.

(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, 2008, MAC has paid $725,000 to the parish in partial fulfillment of this obligation. Through August 31, 2008, the parish has collected $832,030 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.

(8) Grant from the Diocese of Rockville Centre

In 2008, the Administrative Offices of the Diocese of Rockville Centre granted $5,000,000 to MAC from the mission fund of the Diocesan deposit and loan account in support of its mission.