THE DIOCESE OF ROCKVILLE CENTRE
PROPAGATION OF THE FAITH AND MISSION OFFICE

Financial Statements

December 31, 2008 and 2007

(With Independent Auditors' Report Thereon)

KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Most Reverend William F. Murphy, S.T.D., L.H.D., Bishop
Roman Catholic Diocese of Rockville Centre:

We have audited the accompanying statements of financial position of The Diocese of Rockville Centre Propagation of the Faith and Mission Office (the Mission Office) as of December 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 the Mission Office'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 the Mission Office'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 Diocese of Rockville Centre Propagation of the Faith and Mission Office as of December 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

March 9, 2009

THE DIOCESE OF ROCKVILLE CENTRE
PROPAGATION OF THE FAITH AND MISSION OFFICE

Statements of Financial Position

December 31, 2008 and 2007

Assets		**2008**	**2007**
Cash and cash equivalents	$	805,038	861,996
Investments, at fair value (note 3)		1,606,551	1,672,363
Contributed property held for sale		278,000	—
Accrued interest receivable and other assets		—	4,440
Total assets	$	2,689,589	2,538,799
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	22,748	10,990
Due to related organizations (note 4)		87,327	112,516
Funds held for others (notes 5 and 7)		1,902,221	1,715,167
Total liabilities		2,012,296	1,838,673
Net assets – unrestricted		677,293	700,126
Total liabilities and net assets	$	2,689,589	2,538,799

See accompanying notes to financial statements.

THE DIOCESE OF ROCKVILLE CENTRE
PROPAGATION OF THE FAITH AND MISSION OFFICE

Statements of Activities

Years ended December 31, 2008 and 2007

		2008	2007
Revenues:			
Total contributions raised	$	1,679,241	1,819,886
Less:			
Amounts raised on behalf of others (note 7)		(858,083)	(608,353)
Amounts raised for National Office (note 5)		(821,158)	(1,211,533)
Investment (loss) income		(12,298)	5,753
Administrative fees		163,781	136,850
Total revenues		151,483	142,603
Expenses:			
Management and general		133,526	109,490
Fund-raising		40,790	29,632
Total expenses		174,316	139,122
(Decrease) increase in net assets		(22,833)	3,481
Net assets at beginning of year		700,126	696,645
Net assets at end of year	$	677,293	700,126

See accompanying notes to financial statements.

THE DIOCESE OF ROCKVILLE CENTRE
PROPAGATION OF THE FAITH AND MISSION OFFICE

Statements of Cash Flows

Years ended December 31, 2008 and 2007

		2008	2007
Cash flows from operating activities:			
(Decrease) increase in net assets	$	(22,833)	3,481
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:			
Depreciation expense		—	1,433
Net depreciation in fair value of investments		29,401	—
Changes in assets and liabilities:			
Decrease in accrued interest receivable and other assets		4,440	2,931
Decrease in contributions receivable		—	11,362
Increase in accounts payable and accrued expenses		11,758	30,979
(Decrease) increase in due to related organizations		(25,189)	28,653
Decrease in funds held for others		(90,946)	(132,696)
Net cash used in operating activities		(93,369)	(53,857)
Cash flows from investing activities:			
Purchases of investments		(435,144)	(424,132)
Proceeds from sale of investments		471,555	966,975
Net cash provided by investing activities		36,411	542,843
Net (decrease) increase in cash and cash equivalents		(56,958)	488,986
Cash and cash equivalents at beginning of year		861,996	373,010
Cash and cash equivalents at end of year	$	805,038	861,996
Supplemental disclosure:			
Contributed property held for sale	$	278,000	—

See accompanying notes to financial statements.

(1) Organization

The Diocese of Rockville Centre Propagation of the Faith and Mission Office (the Mission Office) is a member of the National Office for the Society for the Propagation of the Faith (the National Office), which was organized to develop an awareness of the work of missionaries and a better understanding of the social, economic, cultural and religious conditions of the people with whom they work; encourage support of the missions and missionaries through prayer and donations; and develop personal contact with the missionaries.

The Mission Office is part of the Roman Catholic Diocese of Rockville Centre (the Diocese), which is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code as an organization described in Section 501(a), and a similar provision of the New York State income tax laws. Accordingly, no provision for income taxes has been made.

(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, the Mission Office'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 – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that will be met either by actions of the Mission Office and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Mission Office.

The Mission Office did not have any temporarily restricted or permanently restricted net assets as of December 31, 2008 and 2007.

The Mission Office's revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions of assets other than cash are recorded at their estimated fair value.

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(b) Cash and Cash Equivalents

Cash and cash equivalents are comprised of highly liquid instruments with original maturities of three months or less.

(c) Furniture, Fixtures, and Equipment

Furniture, fixtures, and equipment are stated at cost at date of acquisition or fair value at date of contribution, if donated. Depreciation expense is recorded on the straight-line basis over the estimated useful lives of the related assets, as follows:

Furniture, fixtures, and equipment	5 years
Computer equipment	3 years

At December 31, 2008 and 2007, the Mission Office's fixed assets are fully depreciated.

(d) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles generally 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) New Accounting Pronouncements

Effective January 1, 2008, the Mission Office adopted 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 expands disclosures about fair value measurements. This pronouncement does not require any new fair value measurements. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which defers the effective date of SFAS No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are not disclosed at fair value in the financial statements on a recurring basis. The FSP did not defer the recognition and disclosure requirements for financial or nonfinancial assets and liabilities that are measured at least annually. In February 2008, the Mission Office adopted FSP No. FAS 157-2. In October 2008, the FASB issued FSP No. FAS 157-3, *Determining the Fair Value of a Financial Asset in a Market That Is Not Active*. FSP No. FAS 157-3 was effective upon issuance, and applies to periods for which financial statements have not been issued. The FSP's guidance clarifies various application issues with respect to the objective of a fair value measurement, distressed transactions, relevance of observable data, and the use of management's assumptions. The impact of the adoption of SFAS 157, FAS 152-2 and FAS 157-3 did not have a material effect on the changes in net assets or financial position of the Mission Office.

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 the Mission Office's December 31, 2009 financial statements. The adoption of FIN 48 is not expected to have a significant impact on the Mission Office's financial statements.

(f) Fair Value Hierarchy

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. SFAS 157 also establishes a fair value hierarchy, which requires 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 Mission Office 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.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

(g) Reclassifications

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation.

(3) Investments

Certain of the Mission Office's investments are in a pooled investment fund held by Unitas Investment Fund, Inc. (Unitas), a separately incorporated, nonregulated investment fund organized and operated by the Administrative Offices of the Diocese, a related entity, which 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 rates range from 0.05% to 0.50% annually depending upon the investment options chosen. The balance of the Mission Office's investments consists of a money market fund, which is recorded at cost, which approximates fair value.

A summary of the Mission Office's investments at December 31, 2008 and 2007, reported at fair value, is as follows:

	2008	2007
Money market fund	$ 190,277	—
Unitas short-term fund	1,416,274	1,672,363
Total investments	$ 1,606,551	1,672,363

The following table presents the Mission Office's fair value hierarchy for those assets and liabilities measured at fair value as of December 31, 2008.

	Fair value	Level 1	Level 2	Level 3
Financial assets-investments:				
Money market fund	$ 190,277	190,277	—	—
Unitas short-term fund	1,416,274	—	1,416,274	—
Total investments	$ 1,606,551	190,277	1,416,274	—

(4) Due to Related Organizations

Due to related organizations consists of amounts due to the Administrative Offices of the Diocese of Rockville Centre (the Administrative Offices) for services and staff provided by the Administrative Offices to the Mission Office.

(5) Amounts Raised for the National Office

Amounts raised for the National Office are calculated based on a formula stipulated in the annual report that the Mission Office is required to submit each year to the National Office. For the years ended December 31, 2008 and 2007, total amounts raised for the National Office consisted of the following with the unremitted component ($675,849 at December 31, 2008 and $1,094,884 at December 31, 2007) included as part of funds held for others (note 7):

	2008	2007
National Office	$ 737,680	1,134,789
Holy Childhood and St. Peter Association	83,478	76,744
	$ 821,158	1,211,533

(6) Related-Entity Transactions – Pension Plan

The Mission Office is a participant in the lay pension plan, a noncontributory defined benefit plan established by the Diocese covering employees who meet certain minimum service requirements. Because the plan is considered a multi-employer plan, it is 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 totaled $4,524 and $0 for the years ended December 31, 2008 and 2007, respectively.

(7) Funds Held for Other (Custodian Funds)

Custodian funds are amounts received from special collections and appeals designated to specific agencies. These funds are entrusted to the Mission Office only for the purpose of receiving, holding, and disbursing them according to the purpose of the collection or appeal. Custodian funds totaled $1,226,372 and $620,283, at December 31, 2008 and 2007, respectively.