



MISSION ASSISTANCE CORPORATION

Financial Statements

August 31, 2009 and 2008

(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, 2009 and 2008, 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, 2009 and 2008, 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

December 11, 2009

MISSION ASSISTANCE CORPORATION

Statements of Financial Position

August 31, 2009 and 2008

Assets	2009	2008
Cash and cash equivalents	\$ 268,657	66,721
Investments (note 3)	11,641,572	10,418,468
Interest receivable from parishes (note 4)	11,405	18,903
Loans receivable from parishes (note 4)	1,993,243	1,892,325
Total assets	<u>\$ 13,914,877</u>	<u>12,396,417</u>
Liabilities and Net Assets		
Liabilities:		
Grants payable (note 6)	\$ 165,027	107,030
Other liabilities	165	—
Total liabilities	<u>165,192</u>	<u>107,030</u>
Net assets – unrestricted	<u>13,749,685</u>	<u>12,289,387</u>
Total liabilities and net assets	<u>\$ 13,914,877</u>	<u>12,396,417</u>

See accompanying notes to financial statements.

MISSION ASSISTANCE CORPORATION

Statements of Activities

Years ended August 31, 2009 and 2008

	2009	2008
Revenues:		
Mission fees (note 3)	\$ 444,804	633,181
Net depreciation in fair value of investments	(391,050)	(203,568)
Interest income on loans receivable	52,589	99,126
Imputed interest (note 4)	23,682	31,708
Accreted income on acquired loans and receivables (note 4)	407,953	310,606
Total revenues	537,978	871,053
Expenses:		
Forgiveness of parish loans (note 4)	111,900	93,250
Direct grants to parishes (note 5)	927,969	324,219
Interest grant (note 4)	23,682	31,708
Professional fees	14,129	14,230
Total expenses	1,077,680	463,407
(Deficiency) excess of revenues over expenses before grant from the Diocese of Rockville Centre	(539,702)	407,646
Grant from the Diocese of Rockville Centre (note 7)	2,000,000	5,000,000
Increase in net assets	1,460,298	5,407,646
Net assets at beginning of year	12,289,387	6,881,741
Net assets at end of year	\$ 13,749,685	12,289,387

See accompanying notes to financial statements.

MISSION ASSISTANCE CORPORATION

Statements of Cash Flows

Years ended August 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Increase in net assets	\$ 1,460,298	5,407,646
Adjustments to reconcile increase in net assets to net cash used in investing activities		
Contributed investments from the Diocese of Rockville Centre	(2,000,000)	(5,000,000)
Loan forgiveness	111,900	93,250
Net depreciation in fair value of investments	391,050	203,568
Accreted income on acquired loans and receivables	(407,953)	(310,606)
Decrease in interest receivable from parishes	7,498	20,478
Decrease in due to other Diocesan Organizations	—	(572,345)
Increase (decrease) in grant payable	57,997	(400,781)
Increase in other liabilities	165	—
Net cash used in operating activities	(379,045)	(558,790)
Cash flows from investing activities:		
Purchases of investments	(1,475,645)	(1,593,592)
Proceeds from sales of investments	1,861,491	1,907,495
Purchases of loans from the Diocese	(448,334)	(671,550)
Originated loans to parishes	(770,000)	(325,000)
Parish loan payments	1,413,469	1,147,960
Net cash provided by investing activities	580,981	465,313
Net increase (decrease) in cash and cash equivalents	201,936	(93,477)
Cash and cash equivalents at beginning of year	66,721	160,198
Cash and cash equivalents at end of year	\$ 268,657	66,721

See accompanying notes to financial statements.

MISSION ASSISTANCE CORPORATION

Notes to Financial Statements

August 31, 2009 and 2008

(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, 2009 and 2008.

(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, 2009 and 2008, no loans are considered impaired and no allowance has been established.

MISSION ASSISTANCE CORPORATION

Notes to Financial Statements

August 31, 2009 and 2008

(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 statements of financial position.

(f) Recent Accounting Standards

Effective September 1, 2008, MAC adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157), as amended. SFAS 157 defines fair value and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

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. 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 a reporting entity 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 measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement.

The adoption of SFAS 157 did not have a material impact on MAC's financial statements.

In connection with the adoption of SFAS 157, MAC elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures - Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including the investments in Unitas Investment Fund, Inc. (Unitas). This guidance amends SFAS 157 and allows for the estimation of the fair value of investments within its scope using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to SFAS 157.

MISSION ASSISTANCE CORPORATION

Notes to Financial Statements

August 31, 2009 and 2008

Effective August 31, 2009, MAC adopted SFAS No. 165, *Subsequent Events* (SFAS 165). SFAS 165 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The adoption of SFAS 165 had no significant impact on MAC's financial statements.

In June 2006, the Financial Accounting Standards Board (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.

(3) Investments and Mission Fee

MAC's investments are in pooled investment funds held by 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 money market fund, fixed income, and equity offerings. The investments in Unitas are carried at estimated 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 0.50% annually depending upon the investment options chosen.

At August 31, 2009 and 2008, investments were comprised of the following:

	<u>2009</u>	<u>2008</u>
Unitas Money Market Fund	\$ 3,900,794	2,163,544
Unitas Balanced Fund	7,676,450	8,191,376
Unitas Equity-Weighted Fund	43,421	58,022
Unitas Fixed Income Fund	18,927	3,388
Unitas Income-Weighted Fund	1,980	2,138
Total investments	<u>\$ 11,641,572</u>	<u>10,418,468</u>

The investments in Unitas are classified as Level 2 within the fair value hierarchy.

MISSION ASSISTANCE CORPORATION

Notes to Financial Statements

August 31, 2009 and 2008

(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 these 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 statements 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, 2009 and 2008 was \$621,719 and \$873,276, respectively.

(d) *Commitments*

In addition to, or in lieu of, an outright loan, MAC may also provide an entity with a revolving line of credit. Amounts available to be drawn down by those entities under these lines of credit total \$1,495,000 as of August 31, 2009. No amounts were drawn down at August 31, 2009.

(e) *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.

MISSION ASSISTANCE CORPORATION

Notes to Financial Statements

August 31, 2009 and 2008

(6) Grants Payable

During 2009 and 2008, 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, 2009, MAC has paid \$900,000 to the parish in partial fulfillment of this obligation. Through August 31, 2009, the parish had collected \$1,015,473 in connection with its campaign.

In addition, during 2009, MAC agreed to make a matching grant to a parish in an amount equal to 80% of the cash received by the parish in connection with that parish's capital campaign, up to a maximum amount of \$1.2 million. As of August 31, 2009, MAC has paid \$370,431 to the parish in partial fulfillment of this obligation. Through August 31, 2009, the parish had collected \$524,981 in connection with its campaign.

(7) Grant from the Diocese of Rockville Centre

In 2009 and 2008, the Administrative Offices of the Diocese of Rockville Centre granted \$2,000,000 and \$5,000,000, respectively, to MAC from the Diocesan Deposit and Loan Account in support of its mission.

(8) Subsequent Events

In connection with the preparation of the financial statements, MAC evaluated subsequent events through December 11, 2009, which was the date the financial statements were approved for issuance, and concluded that no additional disclosures are required.