KPMG

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

Financial Statements

December 31, 2009 and 2008

(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, 2009 and 2008, 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, 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

April 9, 2010

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

Statements of Financial Position

December 31, 2009 and 2008

Assets		**2009**	**2008**
Cash and cash equivalents	$	1,028,263	805,038
Investments, at fair value (note 3)		1,443,885	1,606,551
Other assets		139,734	—
Contributed property held for sale		268,000	278,000
Total assets	$	2,879,882	2,689,589
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	202	22,748
Due to related organizations (note 4)		61,485	87,327
Funds held for others (notes 5 and 7)		2,141,854	1,902,221
Total liabilities		2,203,541	2,012,296
Net assets – unrestricted		676,341	677,293
Total liabilities and net assets	$	2,879,882	2,689,589

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, 2009 and 2008

		2009	2008
Revenues:			
Total contributions raised	$	1,768,702	1,679,241
Less:			
Amounts raised on behalf of others (note 7)		(713,886)	(580,083)
Amounts raised for National Office (note 5)		(1,054,816)	(1,099,158)
Investment income (loss)		2,504	(12,298)
Administrative fees		196,251	163,781
Total revenues		198,755	151,483
Expenses:			
Management and general		162,255	133,526
Fund-raising		37,452	40,790
Total expenses		199,707	174,316
Decrease in net assets		(952)	(22,833)
Net assets at beginning of year		677,293	700,126
Net assets at end of year	$	676,341	677,293

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, 2009 and 2008

		2009	2008
Cash flows from operating activities:			
Decrease in net assets	$	(952)	(22,833)
Adjustments to reconcile decrease in net assets to net cash provided by (used in) operating activities:			
Net depreciation in fair value of investments		—	29,401
Changes in operating assets and liabilities:			
Other assets		(139,734)	4,440
Accounts payable and accrued expenses		(22,546)	11,758
Due to related organizations		(25,842)	(25,189)
Funds held for others		249,633	(90,946)
Net cash provided by (used in) operating activities		60,559	(93,369)
Cash flows from investing activities:			
Purchases of investments		(602,093)	(435,144)
Proceeds from sale of investments		764,759	471,555
Net cash provided by investing activities		162,666	36,411
Net increase (decrease) in cash and cash equivalents		223,225	(56,958)
Cash and cash equivalents at beginning of year		805,038	861,996
Cash and cash equivalents at end of year	$	1,028,263	805,038
Supplemental disclosure:			
Contributed property held for sale	$	—	278,000
Change in value of property held for sale	$	(10,000)	—

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, 2009 and 2008.

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.

(Continued)

(b) 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.

Effective January 1, 2009, the Mission Office adopted the provisions of Accounting Standards Codification (ASC) 820, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*. This guidance allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent, as reported by the investment managers. Because the net asset value reported by each fund is used as a practical expedient to estimate fair value of the Mission Office's interest therein, its classification in Level 2 or 3 under ASC 820 is based on the Mission Office's ability to redeem its interest at or near December 31, 2009. If the interest can be redeemed in the near term, the investment is classified as Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of an investment's underlying assets and liabilities.

(c) Cash and Cash Equivalents

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

(d) 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, 2009 and 2008, the Mission Office's fixed assets are fully depreciated.

(e) 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.

(f) Risks and Uncertainties

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

(g) Other Recent Accounting Standards

In June 2009, the Financial Accounting Standards Board (FASB) issued ASC 105-10, *The Financial Accounting Standards Board Accounting Standards Codification* (ASC 105-10). ASC 105-10 brings together and organizes all Generally Accepted Accounting Principles (GAAP) and designates GAAP into two levels, authoritative and nonauthoritative. New FASB accounting standards are now issued as amendments to the ASC and referred to as Accounting Standards Updates. The adoption of ASC 105-10 had no significant impact on the Mission Office's financial statements.

In 2009, the Mission Office adopted ASC 740, *Accounting for Income Taxes*, which prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The adoption of ASC 740 did not have a significant impact on the Mission Office's financial statements.

(h) Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform to the 2009 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 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 net asset 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, 2009 and 2008 is as follows:

	2009	2008
Money market fund	$ 63,506	190,277
Unitas money market fund	1,380,379	1,416,274
Total investments	$ 1,443,885	1,606,551

The following table presents the fair value hierarchy for those assets measured at fair value as of December 31, 2009 and 2008:

	2009			
	Fair value	Level 1	Level 2	Level 3
Money market fund	$ 63,506	63,506	—	—
Unitas money market fund	1,380,379	—	1,380,379	—
Total investments	$ 1,443,885	63,506	1,380,379	—

	2008			
	Fair value	Level 1	Level 2	Level 3
Money market fund	$ 190,277	190,277	—	—
Unitas money market fund	1,416,274	—	1,416,274	—
Total investments	$ 1,606,551	190,277	1,416,274	—

The Unitas money market fund is classified as Level 2 because it allows weekly redemptions with one day notice.

(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, 2009 and 2008, total amounts raised for the National Office consisted of the following with the unremitted component ($908,619 at December 31, 2009 and $675,849 at December 31, 2008) included as part of funds held for others (note 7):

		2009	2008
National Office	$	987,144	1,015,680
Holy Childhood and St. Peter Association		67,672	83,478
	$	1,054,816	1,099,158

(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. Pension expense totaled $6,798 and $4,524 for the years ended December 31, 2009 and 2008, respectively.

(7) Funds Held for Others (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 $1,233,235 and $1,226,372 at December 31, 2009 and 2008, respectively.

(8) Subsequent Events

In connection with the preparation of the financial statements, the Mission Office evaluated subsequent events from December 31, 2009 through April 9, 2010, which was the date the financial statements were available for issuance, and concluded that no additional disclosures were required.