



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

Financial Statements

December 31, 2011 and 2010

(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, 2011 and 2010, 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, 2011 and 2010, 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 25, 2012

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

Statements of Financial Position

December 31, 2011 and 2010

Assets	2011	2010
	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 722,359	424,006
Investments, at fair value (note 3)	1,229,796	1,671,689
Due from related entity	10,903	7,472
Other assets	<u>126,934</u>	<u>200,487</u>
Total assets	<u>\$ 2,089,992</u>	<u>2,303,654</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 8,316	—
Due to related entity (note 4)	22,924	28,233
Funds held for others (notes 5 and 6)	<u>1,382,411</u>	<u>1,599,080</u>
Total liabilities	1,413,651	1,627,313
Net assets – unrestricted	<u>676,341</u>	<u>676,341</u>
Total liabilities and net assets	<u>\$ 2,089,992</u>	<u>2,303,654</u>

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, 2011 and 2010

	2011	2010
Revenues:		
Total contributions raised	\$ 1,544,895	1,502,790
Less:		
Amounts raised on behalf of others (note 6)	(756,918)	(661,596)
Amounts raised for National Office (note 5)	(787,977)	(841,194)
Investment income	1,725	459
Administrative fees	224,423	239,983
Total revenues	226,148	240,442
Expenses:		
Management and general	195,571	204,519
Fund-raising	30,577	35,923
Total expenses	226,148	240,442
Change in net assets	—	—
Net assets at beginning of year	676,341	676,341
Net assets at end of year	\$ 676,341	676,341

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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ —	—
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Changes in operating assets and liabilities:		
Other assets	73,553	(60,753)
Accounts payable and accrued expenses	8,316	(202)
Due to/from related entity	(8,740)	(40,724)
Funds held for others	(216,669)	(542,774)
Net cash used in operating activities	(143,540)	(644,453)
Cash flows from investing activities:		
Proceeds from sale of contributed property	—	268,000
Purchases of investments	(757,912)	(990,459)
Proceeds from sale of investments	1,199,805	762,655
Net cash provided by investing activities	441,893	40,196
Net increase (decrease) in cash and cash equivalents	298,353	(604,257)
Cash and cash equivalents at beginning of year	424,006	1,028,263
Cash and cash equivalents at end of year	\$ 722,359	424,006

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2011 and 2010

(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, 2011 and 2010.

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.

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

Notes to Financial Statements

December 31, 2011 and 2010

(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. The classification of an asset or liability in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of the asset or liability.

The Mission Office follows 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. 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 is based on the Mission Office's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified as Level 2.

(c) Cash and Cash Equivalents

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

(d) Investments

Investments in Unitas Funds are reported at net asset value. 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 is based on the Mission Office's ability to redeem its interest at or near fiscal year-end. If the interest can be redeemed in the near term, the investment is classified as Level 2.

Investments in money market funds are recorded at cost, which approximates fair value.

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

Notes to Financial Statements

December 31, 2011 and 2010

(e) 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, 2011 and 2010, the Mission Office's fixed assets are fully depreciated.

(f) 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.

(g) 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.

(h) Income Taxes

The Mission Office accounts for uncertainties in income taxes recognized in its financial statements using a threshold of more likely than not. Income generated from activities unrelated to the Mission Office's exempt purpose is subject to tax. The Mission Office did not have any material unrelated business income tax liability at December 31, 2011 or 2010.

(3) Investments

A portion of the Mission Office's investments are held 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 assistance fee" is deducted from the investment performance of all participants for the purpose of funding the mission component, provided the fund had a return over a stated amount. The mission assistance fee is only charged if, net of investment and administrative fees, the return exceeds certain levels for each fund (12.5bps per month on the Unitas Money Market Fund). Each month/quarter is independent of prior or future months'/quarters' performance when determining if the mission assistance fee has met

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

Notes to Financial Statements

December 31, 2011 and 2010

the assessment criteria. The mission assistance fee to participants in the Uritas Money Market Fund is 0.0042% monthly (0.05% annualized).

The balance of the Mission Office's investments consists of a money market fund.

The following tables present the fair value hierarchy for the Mission Office's investments as of December 31, 2011 and 2010:

		2011			
		<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market fund	\$	299,387	299,387	—	—
Uritas Money Market Fund		930,409	—	930,409	—
Total investments	\$	<u>1,229,796</u>	<u>299,387</u>	<u>930,409</u>	<u>—</u>

		2010			
		<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market fund	\$	187,133	187,133	—	—
Uritas Money Market Fund		1,484,556	—	1,484,556	—
Total investments	\$	<u>1,671,689</u>	<u>187,133</u>	<u>1,484,556</u>	<u>—</u>

The Uritas Money Market Fund invests in short-term debt securities and money market instruments and is redeemable daily with 1 day's notice.

(4) Due to Related Entity

Due to related entity 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) Funds Held for Others (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, 2011 and 2010, total amounts raised for the National Office consisted of the following with the unremitted component included in funds held for others (\$598,470 at December 31, 2011 and \$884,472 at December 31, 2010) on the statements of financial position:

		<u>2011</u>	<u>2010</u>
National Office	\$	721,274	777,296
Holy Childhood and St. Peter Association		66,703	63,898
	\$	<u>787,977</u>	<u>841,194</u>

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

Notes to Financial Statements

December 31, 2011 and 2010

(6) 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, included in funds held for others on the statements of financial position, totaled \$783,941 and \$714,608 at December 31, 2011 and 2010, respectively.

(7) 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 \$4,579 and \$6,009 for the years ended December 31, 2011 and 2010, respectively.

(8) Subsequent Events

In connection with the preparation of the financial statements, the Mission Office evaluated events subsequent to December 31, 2011 through April 25, 2012, which was the date the financial statements were available to be issued, and concluded that no additional disclosures were required.