ECCLESIA ASSURANCE COMPANY

Financial Statements

December 31, 2006

(With Independent Auditors' Report Thereon)

ECCLESIA ASSURANCE COMPANY

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KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
Ecclesia Assurance Company:

We have audited the accompanying balance sheet of the Ecclesia Assurance Company (the Company) as of December 31, 2006, and the related statements of operations and stockholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 Company'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 audit provides 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 Ecclesia Assurance Company as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

June 29, 2007

ECCLESIA ASSURANCE COMPANY

Balance Sheet

December 31, 2006

Assets

Cash and cash equivalents	$	2,709,297
Premiums receivable		1,736,029
Total assets	$	4,445,326

Liabilities and Stockholder's Equity

Liabilities:		
Accounts payable and accrued expenses	$	45,999
NY State premium tax payable		3,750
Unearned premiums		174,403
Loss and loss adjustment expense reserves		1,400,000
Total liabilities		1,624,152
Stockholder's equity:		
Common stock, par value $1 per share. Authorized, issued and outstanding 100,000 shares		100,000
Additional paid-in capital		1,900,000
Retained earnings		821,174
Total stockholder's equity		2,821,174
Total liabilities and stockholder's equity	$	4,445,326

See accompanying notes to financial statements.

ECCLESIA ASSURANCE COMPANY

Statement of Operations and Stockholder's Equity

Year ended December 31, 2006

Underwriting income:		
Gross premiums written	$	1,736,629
Change in unearned premiums		152,643
Net premiums earned		1,889,272
Underwriting expenses:		
Losses and loss adjustment expense incurred		1,400,000
NY State premium taxes		5,000
NY State premium assessment		654
Total underwriting expenses		1,405,654
Net underwriting gain		483,618
Operating expenses		163,779
Investment income		130,137
Net income		449,976
Retained earnings at beginning of year		371,198
Retained earnings at end of year	$	821,174

See accompanying notes to financial statements.

ECCLESIA ASSURANCE COMPANY

Statement of Cash Flows

Year ended December 31, 2006

Cash flows from operating activities:		
Net income	$	449,976
Adjustments to reconcile net income to net cash provided by operating activities:		
Changes in assets and liabilities:		
Increase in premiums receivable		(798,971)
Decrease in accounts payable and accrued expenses		(82,970)
Decrease in unearned premiums		(152,643)
Increase in loss reserves		1,400,000
Net cash provided by operating activities		815,392
Cash flows from financing activities:		
Decrease in other receivable – Diocese of Rockville Centre		1,600,000
Net cash provided by financing activities		1,600,000
Increase in cash and cash equivalents		2,415,392
Cash and cash equivalents at beginning of year		293,905
Cash and cash equivalents at end of year	$	2,709,297

See accompanying notes to financial statements.

(1) Organization

The Ecclesia Assurance Company (the Company) is a New York State licensed captive insurance company. It provides insurance on a direct basis for ecclesiastical entities of the Roman Catholic Diocese of Rockville Centre (the Diocese), including parishes, hospitals, high schools, etc. The Company was established on December 10, 2003 as a stock corporation wholly owned by the Diocese. The Company's primary source of revenue is derived from premiums charged for providing insurance coverage as described below.

The Company has issued a difference-in-conditions terrorism insurance policy, with effect from September 1, 2006, covering acts of terrorism as defined in the Terrorism Risk Insurance Act of 2002 (TRIA), supplementing the terrorism coverage purchased in the commercial marketplace by the Diocese. The Company also provides excess liability coverage with effect from September 1, 2006.

The Company has issued a Self-Insured Retention (SIR) Reimbursement Loss Portfolio Transfer Insurance Policy covering preexisting Specific Excess Workers Compensation and Employees Liability with effect from September 1, 2006, covering a four-year period from September 1, 1996 to September 1, 2000. Under this loss portfolio transfer agreement, the Company received a total consideration of $1,475,000 and assumed preexisting loss reserves of the same value from the Diocese. The actuarial evaluation at year end resulted in a total loss reserve of $1,400,000.

The Company is classified under Section 501(c)(3) and is exempt from income taxes under Section 501(a) of the Internal Revenue Code. As an insurance company operating in the state of New York, the Company was required to issue shares of common stock, which are held by the Diocese. The Company is subject to a state premium tax. For the year ended December 31, 2006, the Company incurred the minimum tax totaling $5,000.

(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.

(b) Cash and Cash Equivalents

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

(c) Recognition of Premium Revenues

Premiums written are recorded as earned on a pro-rata basis over the policy term. The portion of premiums that will be earned in the future are deferred and reported as unearned premiums.

(d) Losses and Loss Adjustment Expenses

Losses and loss adjustment expenses are recorded in the period incurred. The liability for unpaid losses and loss adjustment expenses is based upon an evaluation of reported losses and estimates of incurred but not reported losses and related loss adjustment expenses. These estimates are subject to the effects of trends in loss severity and frequency. Although considerable variability is inherent in such estimates, based on its own analysis and an evaluation by its consulting actuary, management believes that the reserves for losses and loss adjustment expenses are adequate to cover the ultimate net cost of claims, but the reserves are based on estimates and there can be no assurance that the ultimate liability for losses will not significantly exceed such estimates. These estimates are continually monitored and adjusted as necessary, as experience develops or new information becomes known. Such adjustments are charged or credited to current operations.

(e) 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.

(f) Capital and Surplus

New York captive insurance statutes require the Company to maintain a minimum capital and surplus of $250,000. At December 31, 2006, the Company had $2,821,174 of capital and surplus.

There are no differences between net income and capital and surplus per these financial statements and the corresponding amounts per the revised December 31, 2006 New York Captive Insurance Company Annual Report.

(3) Related Party Transactions

On June 1, 2004, the Company contracted with the Diocese for management and consulting services related to the captive, which contemplates a maximum annual service fee of $30,000.