



MISSION ASSISTANCE CORPORATION

Financial Statements

August 31, 2006

(With Independent Auditors' Report Thereon)

MISSION ASSISTANCE CORPORATION

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KPMG LLP
345 Park Avenue
New York, NY 10154

Independent Auditors' Report

The Board of Directors
Mission Assistance Corporation:

We have audited the accompanying statement of financial position of the Mission Assistance Corporation (MAC) as of August 31, 2006, and the related statements of activities and cash flows for the year 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 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 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 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 Mission Assistance Corporation as of August 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

April 13, 2007

MISSION ASSISTANCE CORPORATION

Statement of Financial Position

August 31, 2006

Assets

Cash and cash equivalents	\$	7,000
Investments (note 3)		4,681,206
Mission fees receivable from Unitas Investment Fund, Inc.		276,042
Interest receivable from Parishes (note 4)		7,210
Loans receivable from Parishes (note 4)		<u>1,377,860</u>
Total assets	\$	<u><u>6,349,318</u></u>

Liabilities and Net Assets

Liabilities	\$	—
Net assets – unrestricted		<u>6,349,318</u>
Total liabilities and net assets	\$	<u><u>6,349,318</u></u>

See accompanying notes to financial statements.

MISSION ASSISTANCE CORPORATION

Statement of Activities

Year ended August 31, 2006

Revenues:		
Mission fees (note 3)	\$	736,704
Net appreciation in fair value of investments		234,574
Interest income on loans receivable		7,210
Imputed interest (note 4)		17,875
Other income		7,000
		<u>1,003,363</u>
Total revenues		<u>1,003,363</u>
Expenses:		
Grants to parishes		14,334
Interest grant (note 4)		17,875
		<u>32,209</u>
Total expenses		<u>32,209</u>
Excess of revenues over expenses before grant from the Diocese of Rockville Centre		971,154
Grant from the Diocese of Rockville Centre (note 1)		<u>5,378,164</u>
Increase in net assets		6,349,318
Net assets at beginning of year		<u>—</u>
Net assets at end of year	\$	<u><u>6,349,318</u></u>

See accompanying notes to financial statements.

MISSION ASSISTANCE CORPORATION

Statement of Cash Flows

Year ended August 31, 2006

Cash flows from operating activities:	
Increase in net assets	\$ 6,349,318
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Contributed investments	(5,378,164)
Loan forgiveness	14,334
Net appreciation in fair value of investments	(234,574)
Increase in mission fees receivable from Unitas Investment Fund, Inc.	(276,042)
Increase in interest receivable from parishes	(7,210)
Net cash provided by operating activities	<u>467,662</u>
Cash flows from investing activities:	
Purchases of investments	(540,662)
Proceeds from sales of investments	1,472,194
Loans to parishes	(1,472,194)
Parish loan payments	80,000
Net cash used in investing activities	<u>(460,662)</u>
Net increase in cash and cash equivalents	7,000
Cash and cash equivalents at beginning of year	<u>—</u>
Cash and cash equivalents at end of year	<u>\$ 7,000</u>

See accompanying notes to financial statements.

MISSION ASSISTANCE CORPORATION

Notes to Financial Statements

August 31, 2006

(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, 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 year ended August 31, 2006.

(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*. At August 31, 2006, no loans are considered impaired and no allowance has been established.

MISSION ASSISTANCE CORPORATION

Notes to Financial Statements

August 31, 2006

(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.

(3) Investments and Mission Fee

MAC's investments are in a pooled investment fund held by Unitas Investment Fund, Inc., a separately incorporated, nonregulated investment fund organized to provide investment options to Roman Catholic organizations in the Diocese of Rockville Centre. Unitas 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 mission fee is payable to MAC and is recognized by MAC as it is earned. The rates range from .05% to .5% annually depending upon the investment options chosen.

Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the accompanying financial statements.

At August 31, 2006, investments were comprised of the following:

Unitas Short-Term Fund	\$	2,993,313
Unitas Balanced Fund		<u>1,687,893</u>
Total investments	\$	<u><u>4,681,206</u></u>

(4) Loans 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 2009. 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 zero percent rates is reflected as imputed interest revenue and interest grant in the accompanying financial statements. Principal payments 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.