

FINANCIAL STATEMENTS TOGETHER WITH
REPORT OF INDEPENDENT CERTIFIED PUBLIC
ACCOUNTANTS

**MISSION OFFICE OF THE DIOCESE OF
ROCKVILLE CENTRE**

For the years ended December 31, 2003 and 2002

Grant Thornton 

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Most Reverend William F. Murphy, S.T.D., L.H.D.
Bishop of Rockville Centre:

We have audited the accompanying statements of financial position of the Mission Office of the Diocese of Rockville Centre (the "Mission Office") as of December 31, 2003 and 2002, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Office of the Diocese of Rockville Centre as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Mission Office of the Diocese of Rockville Centre

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2003 and 2002

<u>ASSETS</u>	<u>Unrestricted</u>		<u>Temporarily Restricted</u>		<u>Total</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Cash and cash equivalents	\$ 49,223	\$ 360,267	\$ -	\$ -	\$ 49,223	\$ 360,267
Investment in Diocesan Deposit and Loan Account (Note B)	1,655,916	964,807	405,994	451,073	2,061,910	1,415,880
Accrued interest receivable and other assets	40,352	43,169	1,146	1,285	41,498	44,454
Furniture and fixtures, net of accumulated depreciation of \$81,670 and \$69,962, respectively	<u>12,992</u>	<u>24,700</u>	<u>-</u>	<u>-</u>	<u>12,992</u>	<u>24,700</u>
Total assets	<u>\$1,758,483</u>	<u>\$1,392,943</u>	<u>\$ 407,140</u>	<u>\$ 452,358</u>	<u>\$ 2,165,623</u>	<u>\$ 1,845,301</u>
<u>LIABILITIES AND NET ASSETS</u>						
Accounts payable and accrued expenses	\$ 217,580	\$ 57,065	\$ -	\$ -	\$ 217,580	\$ 57,065
Due to the National Office of The Society for the Propagation of the Faith (including Holy Childhood and St. Peter Apostle)	703,965	455,534	-	-	703,965	455,534
Due to Catholic Near East Welfare Association	<u>16,448</u>	<u>16,429</u>	<u>-</u>	<u>-</u>	<u>16,448</u>	<u>16,429</u>
Total liabilities	<u>937,993</u>	<u>529,028</u>	<u>-</u>	<u>-</u>	<u>937,993</u>	<u>529,028</u>
Net assets:						
Unrestricted	820,490	863,915	-	-	820,490	863,915
Temporarily restricted	<u>-</u>	<u>-</u>	<u>407,140</u>	<u>452,358</u>	<u>407,140</u>	<u>452,358</u>
Total net assets	<u>820,490</u>	<u>863,915</u>	<u>407,140</u>	<u>452,358</u>	<u>1,227,630</u>	<u>1,316,273</u>
Total liabilities and net assets	<u>\$1,758,483</u>	<u>\$1,392,943</u>	<u>\$ 407,140</u>	<u>\$ 452,358</u>	<u>\$ 2,165,623</u>	<u>\$ 1,845,301</u>

The accompanying notes are an integral part of these statements.

Mission Office of the Diocese of Rockville Centre

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2003 and 2002

	Unrestricted		Temporarily Restricted		Total	
	2003	2002	2003	2002	2003	2002
Revenues:						
Mission Sunday collections	\$ 363,944	\$ 366,879	\$ -	\$ -	\$ 363,944	\$ 366,879
Bequests and donations	180,866	14,200	18,250	9,293	199,116	23,493
Other contributions (Note C)	406,924	652,997	51,091	427,996	458,015	1,080,993
Membership income	154,242	160,254	-	-	154,242	160,254
Christmas appeal	56,522	59,533	-	-	56,522	59,533
Lenten appeal	49,134	59,210	-	-	49,134	59,210
Other agencies (Note D)	83,981	85,622	-	-	83,981	85,622
Interest income	36,494	37,940	13,911	16,279	50,405	54,219
Calendar income	27,243	31,230	-	-	27,243	31,230
Other income	53,212	60,173	23,521	21,030	76,733	81,203
Total revenues	1,412,562	1,528,038	106,773	474,598	1,519,335	2,002,636
Net assets released from restrictions	151,991	277,101	(151,991)	(277,101)	-	-
Total revenues and net assets released from restrictions	1,564,553	1,805,139	(45,218)	197,497	1,519,335	2,002,636
Expenses:						
Fundraising expenses	67,353	67,235	-	-	67,353	67,235
Salary expense and fringe benefits	120,098	138,662	-	-	120,098	138,662
Office expenses	58,360	44,759	-	-	58,360	44,759
Depreciation expense	11,708	8,306	-	-	11,708	8,306
Remittances to Mission Office's						
National Office (Note B)	703,965	555,534	-	-	703,965	555,534
Remittances to other agencies	16,448	16,429	-	-	16,448	16,429
Other remittances (Note C)	630,046	1,015,927	-	-	630,046	1,015,927
Total expenses	1,607,978	1,846,852	-	-	1,607,978	1,846,852
(Decrease) increase in net assets	(43,425)	(41,713)	(45,218)	197,497	(88,643)	155,784
Net assets, beginning of year	863,915	905,628	452,358	254,861	1,316,273	1,160,489
Net assets, end of year	\$ 820,490	\$ 863,915	\$ 407,140	\$ 452,358	\$ 1,227,630	\$ 1,316,273

The accompanying notes are an integral part of these statements.

Mission Office of the Diocese of Rockville Centre

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2003 and 2002

	<u>2003</u>	<u>2002</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (88,643)	\$ 155,784
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	11,708	8,306
Decrease in accrued interest receivable and other assets	2,956	3,102
Increase (decrease) in accounts payable and accrued expenses	160,515	(307)
Increase (decrease) in due to the National Office of The Society for the Propagation of the Faith	248,431	(173,712)
Increase (decrease) in due to Catholic Near East Welfare Association	<u>19</u>	<u>(3,622)</u>
Net cash provided by (used in) operating activities	<u>334,986</u>	<u>(10,449)</u>
Cash flows from investing activities:		
(Purchases) withdrawals of investment in Diocesan Deposit and Loan Account	(646,030)	111,726
Purchases of furniture and fixtures	<u>-</u>	<u>(21,703)</u>
Net cash (used in) provided by investing activities	<u>(646,030)</u>	<u>90,023</u>
Net (decrease) increase in cash and cash equivalents	(311,044)	79,574
Cash and cash equivalents, beginning of year	<u>360,267</u>	<u>280,693</u>
Cash and cash equivalents, end of year	<u>\$ 49,223</u>	<u>\$ 360,267</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2003 and 2002

NOTE A - NATURE OF BUSINESS

The Mission Office of the Diocese of Rockville Centre (the "Mission Office") is a member of the National Society for the Propagation of the Faith, 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, as part of the Diocese, is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of the New York State income tax laws.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mission Office's financial statements distinguish between unrestricted, temporarily restricted, and permanently restricted net assets and changes in net assets. The Mission Office's net assets consisted of the following:

Unrestricted – net assets of the Mission Office which have not been restricted by an outside donor and are therefore available for use in carrying out the operations of the Mission Office.

Temporarily restricted – net assets of the Mission Office which have been limited by donor-imposed restrictions that either expire with the passage of time or can be fulfilled and removed by the actions of the Mission Office pursuant to those restrictions.

The Mission Office did not possess any permanently restricted net assets as of December 31, 2003 and 2002.

1. Basis of Accounting

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America using the accrual basis of accounting.

2. Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and money market funds.

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2003 and 2002

NOTE B (continued)

3. Investment in Diocesan Deposit and Loan Account

The Mission Office is a participant in the Diocesan Deposit and Loan Account (the “DLA”). The DLA is administered by the Administrative Offices of the Diocese of Rockville Centre (the “Diocese”). The Mission Office’s investment in the DLA earns interest at a rate of 75% of prime, adjusted quarterly (3.0% and 3.4375% at December 31, 2003 and 2002, respectively). The investment is valued at cost, plus accumulated interest, in the accompanying financial statements, which approximates fair market value.

4. Furniture and Fixtures

Furniture and fixtures are stated at cost less accumulated depreciation and amortization. Depreciation and amortization expense are determined by the straight-line method and are based on the following estimated useful lives:

Furniture and equipment	5 years
Computer equipment	3 years

5. Revenue Recognition

The Mission Office derives its income from, among other sources, contributions, bequests and memberships. All income is recorded when received, with the exception of Maryknoll. Maryknoll is recorded on the accrual basis of accounting.

6. Remittances to Mission Office’s National Office

Remittances to the Mission Office’s 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. Total remittances for the years ended December 31, 2003 and 2002, consisted of the following:

	<u>2003</u>	<u>2002</u>
National Office	\$ 648,364	\$ 502,112
Holy Childhood	36,049	32,872
St. Peter Association	<u>19,552</u>	<u>20,550</u>
Total remittances	<u>\$ 703,965</u>	<u>\$ 555,534</u>

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2003 and 2002

NOTE B (continued)

7. *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

8. *Reclassifications*

Certain prior year amounts have been reclassified to conform with the current year presentation.

NOTE C - OTHER CONTRIBUTIONS AND REMITTANCES

Other contributions and remittances consisted of the following for the years ended December 31, 2003 and 2002:

	<u>Contributions</u>		<u>Remittances</u>	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Missionary Co-operative	\$ 326,859	\$ 329,534	\$ 318,091	\$ 323,293
El Cerado Mission	35,721	250,395	36,000	154,431
Church in Latin America (1)	-	243,042	-	235,750
Hondo Valle	6,956	171,653	24,589	88,677
Maryknoll Fathers	36,800	39,000	36,800	39,000
Catholic Relief Services	21,515	15,053	21,515	15,054
Immersion Experience	-	8,344	2,150	8,223
Mass Stipends	8,414	5,948	34,390	31,050
Quiche Indian Mission	9,280	3,050	9,280	3,050

(1) The Administrative Offices of the Diocese of Rockville Centre now perform the collection and remittance of these funds.

Mission Office of the Diocese of Rockville Centre

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2003 and 2002

NOTE C (continued)

	Contributions		Remittances	
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Grants from Rockville Centre	\$ -	\$ -	\$ 43,162	\$ 72,266
Bishop's Gifts	-	-	36,425	35,500
Dominican Republic	-	-	55,039	2,065
Other Designated Gifts	<u>12,470</u>	<u>14,974</u>	<u>12,605</u>	<u>7,568</u>
Total other contributions and remittances	<u>\$ 458,015</u>	<u>\$ 1,080,993</u>	<u>\$ 630,046</u>	<u>\$ 1,015,927</u>

NOTE D - OTHER AGENCIES

Contribution receipts remitted with the National Office of the Society for the Propagation of the Faith as of December 31, 2003 and 2002 consisted of the following:

	<u>2003</u>	<u>2002</u>
Holy Childhood	\$ 49,935	\$ 47,588
St. Peter	<u>34,046</u>	<u>38,034</u>
Total other agencies contributions	<u>\$ 83,981</u>	<u>\$ 85,622</u>

NOTE E - PENSION PLAN

The Mission Office is a participant in the noncontributory lay pension plan established by the Diocese covering employees who meet certain minimum service requirements. Due to the nature of the plan, it is not practicable to determine the extent to which the assets of the plan cover the actuarially computed value of vested benefits for the Mission Office standing alone. In addition, because the plan is considered a multi-employer plan, it is only subject to certain minimum reporting requirements of SFAS No. 87, "Employers' Accounting for Pensions", as amended by SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits". Pension expense allocated to the Mission Office for the years ended December 31, 2003 and 2002 was \$814 and \$1,989, respectively.