

Together in Mission

(a program of the Roman Catholic Archdiocese of Los Angeles)

Financial Report
June 30, 2007

McGladrey & Pullen
Certified Public Accountants

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Independent Auditor's Report

To His Eminence
Cardinal Roger M. Mahony
Archbishop of Los Angeles
Los Angeles, California

We have audited the accompanying statements of cash receipts and cash disbursements of *Together in Mission* (a program of the Roman Catholic Archdiocese of Los Angeles) (the Organization) for the years ended June 30, 2007 and 2006. These financial statements are the responsibility of the Organization'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.

As described in Note 1, these statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash transactions of the Organization for the years ended June 30, 2007 and 2006, on the basis of accounting described in Note 1.

In July 2007, the Roman Catholic Archdiocese of Los Angeles reached an agreement in principle to settle numerous lawsuits related to claims of sexual misconduct by certain individuals. The settlement was finalized on November 30, 2007. See Note 3 for further discussion of this matter.

McGladrey & Pullen, LLP

Pasadena, California
December 20, 2007

Together In Mission
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Statements of Cash Receipts and Disbursements
Years Ended June 30, 2007 and 2006

	2007	2006
Cash receipts:		
Contributions collected through annual appeal campaign, net of parish rebates of \$2,589,616 in 2007 and \$2,666,463 in 2006	\$ 14,045,595	\$ 13,370,303
Investment income	976,153	500,324
Total cash receipts	15,021,748	13,870,627
Cash disbursements:		
Subsidies:		
Parishes (Note 2)	4,135,302	3,909,618
Elementary schools	4,420,470	3,888,388
Assessments	1,602,174	1,450,107
Automobiles	167,952	92,436
Construction	644,597	655,184
Emergency subsidy support	246,300	520,846
Total subsidies	11,216,795	10,516,579
Program administrative expenses	1,595,775	1,796,339
Total cash disbursements	12,812,570	12,312,918
Increase in cash during the year	\$ 2,209,178	\$ 1,557,709

See Notes to Financial Statements.

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Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies

Together in Mission is a program of the Administrative Office of the Archdiocese of Los Angeles (the Administrative Office). The *Together in Mission* annual appeal was established in 1992 to reach out to the entire Catholic community of the Archdiocese of Los Angeles to raise money for the preservation of Catholic schools and parishes that cannot survive economically without outside financial support. The appeal supports the work of the Church in providing the sacraments, ministries, Catholic education and service programs throughout the Archdiocese of Los Angeles. The program also facilitates parishes and schools supporting one another through the generosity and commitment of their parishioners.

The program is governed by a *Together in Mission* Advisory Board and standing subcommittees (also called Task Forces), the Allocation Committee and Audit Committee and the Campaign Committee. The Allocation Committee is responsible for determining the amount of funds allotted to each of the five Regions of the Archdiocese for parish subsidy and the Archdiocesan School Department for school subsidy. The Audit Committee oversees the financial reporting and internal controls of the program. Finally, the Campaign Committee's responsibility is to oversee the marketing campaign of the program.

The accounting and reporting of receipts and disbursements for financial statement purposes is on a fiscal year basis. This corresponds to the fiscal year of the Administrative Office. During the course of the campaign, the progress and results are routinely reported in the Archdiocesan newspaper, *The Tidings*. Because funds are continuously collected and disbursed throughout the year, differences occur between the campaign reports and the fiscal year financial report. These variations are due to the timing differences between the campaign collection period and the official financial reporting period.

All funds collected through the *Together in Mission* program are donor restricted for use as subsidy in Archdiocesan parishes and schools requiring financial assistance. These funds are securely set aside for the purpose stated by the donor. Both civil and church law stipulate that restricted funds cannot be used for purposes other than those intended by the donor.

Together in Mission begins the distribution of subsidy to parishes and schools at the start of the fiscal year, July 1. Because distributions begin before the calendar year campaign is concluded, *Together in Mission* maintains a reserve sufficient to advance subsidy payments until the campaign is concluded on December 31. This reserve is called the "pre-fund" account. Funds collected in excess of the budgeted subsidy and "pre-fund" account requirements are allocated to a contingency fund used for emergency subsidies.

At the beginning of a campaign, each parish is given a fund raising goal which is set at 10% of parish offertory income for the prior fiscal year. If a parish exceeds its fund raising goal, 100% of the excess is refunded to it through a rebate.

All *Together in Mission* contributions are accumulated in the *Together in Mission* Receipt Account and reserved until the end of the fiscal year. The funds are then transferred into a *Together in Mission* Disbursement Account to be used for subsidies of the following fiscal year while the ongoing campaign is replenishing the Receipt Account. This cycle will repeat with each campaign and will ensure that the program is fully financed and self-supported.

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Notes to Financial Statements

Note 1. Nature of Organization and Summary of Significant Accounting Policies, Continued

Basis of accounting: The financial statement of *Together in Mission* has been prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The statement includes only the cash receipts collected through the annual appeal campaign, investment return on *Together in Mission* funds in the Archdiocese Investment Pool, as well as subsidy disbursements and program expenses.

Program expenses consist mainly of the annual appeal campaign costs. Expenses incurred to administer and manage the campaign are applied against the proceeds generated through the campaign.

Note 2. Special Distribution to Archdiocesan Regional Offices

During fiscal year 2006, a special, one-time distribution to the five Archdiocesan regional offices was made from the *Together in Mission* funds. Total amount of the distribution was \$1,250,000. The funds were transferred into the regional offices' accounts in the Investment Pool to provide support for the regional offices' operating needs. The following amounts were disbursed on August 31, 2005:

<u>Region</u>	<u>Amount</u>
Our Lady of the Angels	\$ 350,000
San Gabriel	350,000
San Pedro	250,000
Santa Barbara	150,000
San Fernando	150,000
	<u>\$ 1,250,000</u>

This distribution is included in the parish subsidy portion of the cash disbursements section of the statement of cash receipts and disbursements.

Note 3. Contingencies and Subsequent Events

The Archdiocese has been involved in numerous lawsuits related to claims of sexual misconduct by certain individuals. Most of the claims were filed after legislation was adopted in 2002 in California to allow otherwise time-barred claims to be brought in 2003. The claims were coordinated in the Superior Court of California as the Clergy I coordinated proceedings and were administered in the Los Angeles Superior Courts (Clergy I Litigation). *Together in Mission* was not a named party in any of the claims brought in the Clergy I Litigation. In December 2006, the Archdiocese resolved certain of the Clergy I Litigation claims. The Archdiocese reached an agreement in principle to settle the remaining Clergy I Litigation claims against it in July 2007 and the settlement was fully documented and effective on November 30, 2007 with initial funding on December 3, 2007.

No assets of *Together in Mission* were or will be used to fund the settlements. The Archdiocese does not currently believe that the activities or ministries of *Together in Mission* will be impacted by the settlement. In accordance with accounting principles generally accepted in the United States of America, the amounts committed to resolve the settlement have been accrued at June 30, 2007 on the financial statements of the Administrative Office of the Archdiocese of Los Angeles and, accordingly, no accrual has been made in these financial statements.

Notes to Financial Statements

Note 3. Contingencies and Subsequent Events, Continued

The Archdiocese is subject to various other lawsuits and claims, including general litigation and claims of sexual misconduct, not addressed in Clergy I. Various lawsuits and claims, not related to the sexual misconduct claims, are pending against the Archdiocese. There are no such claims against *Together in Mission* and the resolution of such claims against the Archdiocese is not expected to have any financial impact on *Together in Mission*.