

# Together in Mission

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

Financial Report  
June 30, 2006

**McGladrey & Pullen**

Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International,  
an affiliation of separate and independent legal entities.

## Contents

---

Independent Auditor's Report	1
Financial Statement	
Statements of cash receipts and disbursements	2
Notes to financial statements	3-5

---

# McGladrey & Pullen

Certified Public Accountants

## Independent Auditor's Report

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

We have audited the accompanying statement of cash receipts and cash disbursements of Together in Mission (a program of the Roman Catholic Archdiocese of Los Angeles) (the Organization) for the year ended June 30, 2006. This financial statement is the responsibility of the Organization's management. Our responsibility is to express an opinion on this financial statement based on our audit. The financial statement of the Organization for the year ended June 30, 2005 was audited by other auditors whose report, dated October 21, 2005, expressed an unqualified opinion on that statement.

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 statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. 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 audit provides a reasonable basis for our opinion.

As described in Note 1, this statement was 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 2006 financial statement referred to above presents fairly, in all material respects, the cash transactions of the Organization for the year ended June 30, 2006, on the basis of accounting described in Note 1.

The Archdiocese is involved in numerous lawsuits related to claims of sexual misconduct by certain individuals. The financial impact of these claims is uncertain. See Note 4 for further discussion of this matter.

*McGladrey & Pullen, LLP*

Pasadena, California  
March 27, 2007

Together In Mission  
(a program of the Roman Catholic Archdiocese of Los Angeles)

Statement of Cash Receipts and Disbursements  
Years Ended June 30, 2006 and 2005

	2006	2005
Cash receipts:		
Contributions collected through annual appeal campaign, net of parish rebates of \$2,666,463 in 2006 and \$1,971,083 in 2005	\$ 13,370,303	\$ 14,278,167
Investment income	500,324	246,655
<b>Total cash receipts</b>	<b>13,870,627</b>	<b>14,524,822</b>
Cash disbursements:		
Subsidies:		
Parishes (Note 3)	3,909,618	2,959,964
Elementary schools	3,888,388	5,350,786
Assessments	1,450,107	1,294,607
Automobiles	92,436	86,408
Construction	655,184	343,952
Emergency subsidy support	520,846	460,881
<b>Total subsidies</b>	<b>10,516,579</b>	<b>10,496,598</b>
Program administrative expenses	1,796,339	1,669,910
<b>Total cash disbursements</b>	<b>12,312,918</b>	<b>12,166,508</b>
<b>Increase in cash during the year</b>	<b>\$ 1,557,709</b>	<b>\$ 2,358,314</b>

See Notes to Financial Statement.

**Together In Mission**  
**(a program of the Roman Catholic Archdiocese of Los Angeles)**

**Notes to Financial Statement**

---

**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 (Administrative Office). *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.

During the fiscal year 2005, the *Together in Mission* Advisory Board adopted a change in the procedure for reserve of campaign funds and disbursement of subsidies. Effective with July 1, 2004, all *Together in Mission* contributions have been accumulated in the *Together in Mission* Receipt Account and reserved until the end of the fiscal year. The funds have been transferred into a *Together in Mission* Disbursement Account to be used for subsidies in fiscal year 2006 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.

**Together In Mission**  
(a program of the Roman Catholic Archdiocese of Los Angeles)

**Notes to Financial Statement**

---

**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. Reimbursements to the Administrative Office**

During fiscal year 2004, the *Together in Mission* Advisory Board passed a resolution to reimburse the Administrative Office for unpaid receivables of parishes and schools that are subsidized through the *Together in Mission* program. These reimbursements were made during the fiscal year 2005 and were comprised of the following:

Reimbursement for accounts receivable amounts outstanding June 30, 2004	\$ 835,658
Reimbursement for notes receivable amounts outstanding June 30, 2004	906,694
Reimbursement for accounts receivable amounts outstanding May 31, 2005	353,369
Total amount reimbursed	<u><u>\$ 2,095,721</u></u>

The reimbursements related to fiscal year 2005 were made May 31, 2005 to ensure that the reimbursements are reflected on the statement of cash receipts and disbursements for the fiscal year 2005 and are reflected in the Administrative Office as a reduction in the parish or school receivable amount outstanding at June 30, 2005. To maintain a consistent approach, annual reimbursement to the Administrative Office, if any, will always be performed on May 31. However, during fiscal year 2006, there were no such reimbursements to the Administrative Office.

**Note 3. 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 office's 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><u>\$ 1,250,000</u></u>

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

Notes to Financial Statement

---

Note 4. Contingencies

The Archdiocese is involved in numerous currently pending lawsuits relating to claims of sexual misconduct by certain individuals. *Together in Mission* is not a named party in any of these lawsuits. The Archdiocese does not currently believe that the assets, activities or ministries of *Together in Mission* will be impacted by losses which could arise if the claims are not resolved within insurance policy limits or with other assets available from the Administrative Office of the Archdiocese. However, if the proceeds of insurance or those assets are insufficient to resolve the claims, the potential losses could impact the assets, activities and ministries of *Together in Mission*. The financial impact from these claims to *Together in Mission*, if any, is uncertain and, in accordance with accounting principles generally accepted in the United States of America, no accrual has been made in these financial statements. The Archdiocese is subject to various other lawsuits and claims, including general litigation. 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*.