CMMB CATHOLIC MEDICAL MISSION BOARD

A FAITH-BASED LEADER IN GLOBAL HEALTHCARE

Financial Statements
(Together with Independent Auditors' Report)

Years Ended September 30, 2015 and 2014

MARKS PANETH

ACCOUNTANTS & ADVISORS

CATHOLIC MEDICAL MISSION BOARD, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED SEPTEMBER 30, 2015 AND 2014

CONTENTS

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Catholic Medical Mission Board, Inc.

We have audited the accompanying financial statements of Catholic Medical Mission Board, Inc. (the "Organization") which comprise the statements of financial position as of September 30, 2015 and 2014, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Medical Mission Board Inc. as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Marks Paneth LLP

New York, NY
December 16, 2015

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2015 AND 2014

	2015	2014
ASSETS		
Cash and cash equivalents (Notes 2D and 13)	$ 13,424,561	$ 3,040,598
Investments (Notes 2E and 3)	14,485,233	1,173,520
Inventory (Note 2F)	71,534,710	99,301,972
Accrued interest and other receivables (Note 2H)	184,799	313,145
Contributions and pledges receivable (Notes 2H and 4)	889,084	81,330
Government grants receivable (Note 2H)	661,412	939,100
Prepaid expenses	129,040	110,712
Property and equipment, net (Notes 2G, 5 and 12)	375,013	492,996
Gift annuity investments (Notes 2E, 2M, 3 and 6)	3,370,937	3,692,711
Assets held in charitable remainder annuity trust (Note 10)	733,842	798,380
TOTAL ASSETS	$ 105,788,631	$ 109,944,464
LIABILITIES		
Accounts payable and accrued expenses	$ 1,829,551	$ 1,731,081
Deferred revenue (Note 2I)	252,974	235,204
Deferred rent (Note 2J and 12)	413,096	-
Gift annuity payable (Notes 2M and 6)	2,278,093	2,871,481
Charitable remainder annuity trust payable (Note 11)	184,544	263,455
Postretirement benefits (Note 12)	-	252,933
Note payable (Note 11)	-	483,169
Other liabilities	87,897	90,735
TOTAL LIABILITIES	5,046,155	5,928,058
COMMITMENTS AND CONTINGENCIES (Notes 2K, 11 and 12)		
NET ASSETS (Note 2B)		
Unrestricted (Note 9)	96,905,099	99,824,781
Temporarily restricted (Note 8)	3,837,377	4,191,625
TOTAL NET ASSETS	100,742,476	104,016,406
TOTAL LIABILITIES AND NET ASSETS	$ 105,788,631	$ 109,944,464

The accompanying notes are an intergral part of these financial statements.

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	For the Year Ended September 30, 2015			For the Year Ended September 30, 2014		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING ACTIVITIES						
Support and Revenue						
Donated pharmaceuticals, equipment and supplies (Notes 2C and 13)	$ 261,015,867	$ -	$ 261,015,867	$ 357,997,427	$ -	$ 357,997,427
Donated services (Note 2C)	4,894,445	-	4,894,445	5,566,440	-	5,566,440
Grants and contributions (Note 2K)	18,011,074	4,280,006	22,291,080	19,250,999	3,120,007	22,371,006
Wills and legacies	1,699,997		1,699,997	1,055,379	150,000	1,205,379
Dividends and interest (Notes 2E, 3 and 6)	119,960	-	119,960	131,546	-	131,546
Net assets released from restrictions (Note 8)	4,634,254	(4,634,254)	-	2,164,027	(2,164,027)	-
TOTAL SUPPORT AND REVENUE	290,375,597	(354,248)	290,021,349	386,165,818	1,105,980	387,271,798
EXPENSES (Note 2N):						
Program Services (Note 1):						
Programs	13,462,729	-	13,462,729	12,741,297	-	12,741,297
Volunteers (Note 2C)	5,666,579	-	5,666,579	5,896,263	-	5,896,263
Healing Help (Note 2C)	289,987,929	-	289,987,929	367,895,493	-	367,895,493
Total Program Services	309,117,237	-	309,117,237	386,533,053	-	386,533,053
Supporting Services:						
Fundraising	5,088,107	-	5,088,107	4,598,972	-	4,598,972
Administration	4,935,698	-	4,935,698	4,516,517	-	4,516,517
Total Supporting Services	10,023,805	-	10,023,805	9,115,489	-	9,115,489
TOTAL EXPENSES	319,141,042	-	319,141,042	395,648,542	-	395,648,542
Change in Net Assets from Operations	(28,765,445)	(354,248)	(29,119,693)	(9,482,724)	1,105,980	(8,376,744)
NONOPERATING ACTIVITIES						
Unrealized (loss) gain on investments and gift annuity investments (Notes 2E, 3 and 6)	(888,016)	-	(888,016)	178,211	-	178,211
Realized gain on sales of investments and gift annuity investments (Notes 2E, 3 and 6)	243,989	-	243,989	40,422	-	40,422
Change in valuation of gift annuity payable (Note 6)	488,307	-	488,307	805	-	805
Change in valuation of charitable remainder annuity trust payable (Note 10)	(2,720)		(2,720)	(472)	-	(472)
Write off of post retirement medical plan (Note 12)	252,933	-	252,933	-	-	-
Gain on disposition of property and equipment-net (Note 5)	25,751,270	-	25,751,270	1,500,000	-	1,500,000
TOTAL NONOPERATING ACTIVITIES	25,845,763	-	25,845,763	1,718,966	-	1,718,966
Change in Net Assets before Postretirement Related Change	(2,919,682)	(354,248)	(3,273,930)	(7,763,758)	1,105,980	(6,657,778)
Postretirement related change other than net periodic cost (Note 12)	-	-	-	324,702	-	324,702
CHANGE IN TOTAL NET ASSETS	(2,919,682)	(354,248)	(3,273,930)	(7,439,056)	1,105,980	(6,333,076)
Net assets - beginning of year	99,824,781	4,191,625	104,016,406	107,263,837	3,085,645	110,349,482
NET ASSETS - END OF YEAR	$ 96,905,099	$ 3,837,377	$ 100,742,476	$ 99,824,781	$ 4,191,625	$ 104,016,406

The accompanying notes are an intergral part of these financial statements.

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(With Comparative Totals for 2014)

	Programs	Volunteers	Healing Help	Total Program Services	Fundraising	Administration	Total Supporting Services	Total 2015	Total 2014
Salaries	$ 3,802,141	$ 153,107	$ 584,551	$ 4,539,799	$ 1,405,698	$ 2,106,916	$ 3,512,614	$ 8,052,413	$ 7,713,362
Payroll taxes and fringe benefits (Note 7)	947,383	47,710	163,939	1,159,032	352,654	627,059	979,713	2,138,745	2,000,589
Total Salaries and Related Costs	4,749,524	200,817	748,490	5,698,831	1,758,352	2,733,975	4,492,327	10,191,158	9,713,951
Temporary help	213,112	-	-	213,112	1,466	33,047	34,513	247,625	203,975
Postage and mailing	3,510	138	1,042	4,690	750,733	5,771	756,504	761,194	918,755
Rent and utilities (Note 12)	340,528	3,649	85,057	429,234	-	196,123	196,123	625,357	548,945
Telephone and communications	166,842	1,118	17,871	185,831	1,587	135,311	136,898	322,729	313,114
Supplies	885,078	862	36,319	922,259	4,791	94,281	99,072	1,021,331	903,719
Insurance	32,805	21,079	-	53,884	1,873	171,488	173,361	227,245	267,348
Maintenance	327,027	-	24,766	351,793	-	18,436	18,436	370,229	428,147
Professional services	1,030,712	130,382	-	1,161,094	1,478,159	558,786	2,036,945	3,198,039	2,118,215
Investment fees and bank charges (Notes 3 and 6)	4,299	60	-	4,359	84,846	176,691	261,537	265,896	429,296
Foreign currency translation loss	52,957	-	-	52,957	-	-	-	52,957	76,116
Conventions, meetings and workshops	1,059,089	3,057	4,352	1,066,498	35,016	117,329	152,345	1,218,843	1,074,392
Travel	685,682	32,906	5,884	724,472	32,230	108,398	140,628	865,100	887,564
Fees and membership	18,268	1,374	30,642	50,284	14,129	92,358	106,487	156,771	80,202
Advertising and publicity	2,519	-	-	2,519	67,032	-	67,032	69,551	20,963
Printing	11,032	250	-	11,282	853,670	273	853,943	865,225	774,666
Shipping, freight and storage	-	-	188,487	188,487	-	268	268	188,755	109,091
Staff training	16,120	-	-	16,120	-	80,062	80,062	96,182	135,429
Service contracts	492,126	6,397	32,096	530,619	4,223	362,374	366,597	897,216	492,693
Total Before Other Expenses	10,091,230	402,089	1,175,006	11,668,325	5,088,107	4,884,971	9,973,078	21,641,403	19,496,581
Other Expenses:									
Medical assistance to missions (Note 2C)	3,369,945	370,045	266,048,617	269,788,607	-	-	-	269,788,607	336,282,650
Donated services (Note 2C)	-	4,894,445	-	4,894,445	-	-	-	4,894,445	5,566,440
Inventory obsolescence (Note 2C)	-	-	22,741,011	22,741,011	-	-	-	22,741,011	34,206,043
Depreciation (Notes 2G and 5)	1,554	-	23,295	24,849	-	50,727	50,727	75,576	96,828
Total Other Expenses	3,371,499	5,264,490	288,812,923	297,448,912	-	50,727	50,727	297,499,639	376,151,961
Total Operating Expenses	$ 13,462,729	$ 5,666,579	$ 289,987,929	$ 309,117,237	$ 5,088,107	$ 4,935,698	$ 10,023,805	$ 319,141,042	$ 395,648,542

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Programs	Volunteers	Healing Help	Total Program Services	Fundraising	Administration	Total Supporting Services	Total 2014
Salaries	$ 3,830,313	$ 44,387	$ 618,177	$ 4,492,877	$ 1,037,515	$ 2,182,970	$ 3,220,485	$ 7,713,362
Payroll taxes and fringe benefits (Note 7)	916,622	14,668	185,462	1,116,752	268,113	615,724	883,837	2,000,589
Total Salaries and Related Costs	4,746,935	59,055	803,639	5,609,629	1,305,628	2,798,694	4,104,322	9,713,951
Temporary help	173,106	-	6,825	179,931	2,718	21,326	24,044	203,975
Postage and mailing	6,294	-	582	6,876	908,758	3,121	911,879	918,755
Rent and utilities (Note 12)	370,697	3,187	98,115	471,999	-	76,946	76,946	548,945
Telephone and communications	202,762	192	19,902	222,856	1,859	88,399	90,258	313,114
Supplies	781,825	2,984	41,841	826,650	5,431	71,638	77,069	903,719
Insurance	82,192	22,632	-	104,824	-	162,524	162,524	267,348
Maintenance	396,744	83	14,403	411,230	-	16,917	16,917	428,147
Professional services	189,241	153,916	-	343,157	1,419,254	355,804	1,775,058	2,118,215
Investment fees and bank charges (Notes 3 and 6)	77,618	-	-	77,618	86,191	265,487	351,678	429,296
Foreign currency translation loss	76,032	-	-	76,032	-	84	84	76,116
Conventions, meetings and workshops	991,470	598	5,286	997,354	21,972	55,066	77,038	1,074,392
Travel	674,907	43,990	6,956	725,853	29,837	131,874	161,711	887,564
Fees and membership	19,829	879	26,978	47,686	18,656	13,860	32,516	80,202
Advertising and publicity	4,871	46	217	5,134	15,809	20	15,829	20,963
Printing	5,013	-	-	5,013	769,275	378	769,653	774,666
Shipping, freight and storage	9,133	-	97,904	107,037	1,900	154	2,054	109,091
Staff training	33,305	-	-	33,305	175	101,949	102,124	135,429
Service contracts	138,953	6,261	45,969	191,183	11,509	290,001	301,510	492,693
Total Before Other Expenses	8,980,927	293,823	1,168,617	10,443,367	4,598,972	4,454,242	9,053,214	19,496,581
Other Expenses:								
Medical assistance to missions (Note 2C)	3,753,827	36,000	332,492,823	336,282,650	-	-	-	336,282,650
Donated services (Note 2C)	-	5,566,440	-	5,566,440	-	-	-	5,566,440
Inventory obsolescence (Note 2C)	-	-	34,206,043	34,206,043				34,206,043
Depreciation (Notes 2G and 5)	6,543	-	28,010	34,553	-	62,275	62,275	96,828
Total Other Expenses	3,760,370	5,602,440	366,726,876	376,089,686	-	62,275	62,275	376,151,961
Total Operating Expenses	$ 12,741,297	$ 5,896,263	$ 367,895,493	$386,533,053	$ 4,598,972	$ 4,516,517	$ 9,115,489	$ 395,648,542

The accompanying notes are an intergral part of these financial statements.

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (3,273,930)	$ (6,333,076)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	75,576	96,828
Non refundable real estate deposit	-	(1,500,000)
Gain on disposal of property and equipment, net	(25,751,270)	-
Decrease in inventory (net of inventory obsolescence)	27,767,262	8,620,206
Postretirement related change other than periodic cost	-	(324,702)
Amortization of discount on property held in trust	(17,093)	(17,093)
Unrealized loss (gain) on investments and gift annuity investments	888,016	(178,211)
Realized gain on sale of investments and gift annuity investments	(243,989)	(40,422)
Change in valuation of gift annuity payable	(488,307)	(805)
Change in valuation of charitable remainder annuity trust payable	2,720	472
Deferred rent	413,096	-
Subtotal	(627,919)	323,197
Changes in operating assets and liabilities:		
Decrease (Increase) in accrued interest and other receivables	128,346	(148,028)
(Increase) in contributions and pledges receivable	(807,754)	(66,193)
Decrease in government grants receivable	277,688	69,148
(Increase) decrease in prepaid expenses	(18,328)	125,480
Increase (decrease) in accounts payable and accrued expenses	98,470	(141,262)
Increase (Decrease) in deferred revenue	17,770	(246,237)
(Decrease) Increase in postretirement benefits	(252,933)	402,921
(Decrease) in other liabilities	(2,838)	(364,966)
Net cash used in operating activities	(1,187,498)	(45,940)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities and gift annuity investment	2,378,138	1,190,239
Purchases of marketable securities and gift annuity investments	(16,012,104)	(1,631,882)
Purchases of property and equipment	(251,708)	-
Proceeds from sale of property and equipment	26,045,385	1,500,000
Net cash provided by investing activities	12,159,711	1,058,357
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	(483,169)	(1,016,831)
Proceeds from note payable	-	500,000
Proceeds from gift annuities	187,047	383,142
Payment of gift annuity obligations	(292,128)	(142,539)
Net cash used in financing activities	(588,250)	(276,228)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,383,963	736,189
Cash and cash equivalents at beginning of year	3,040,598	2,304,409
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 13,424,561	$ 3,040,598
Supplemental Disclosure of Cash Flow Information:		
Cash Paid For Interest	$ 16,330	$ 23,018

NOTE 1 – ORGANIZATION

The Catholic Medical Mission Board, Inc. (the “Organization” or “CMMB”) was incorporated in New York in 1928 as a nonprofit corporation. CMMB delivers quality healthcare services and medicines to people in need throughout the world. The Organization builds sustainable healthcare programs that target leading causes of illness, suffering and death. The Organization strives to strengthen local capabilities through its programs. The healthcare programs provided include integrated management of childhood illness, primary healthcare and HIV and AIDS prevention, treatment of HIV-infected individuals, voluntary counseling and testing, improving access to medical services, training nurses and doctors in prevention, care and counseling.

The Organization ships medicines and supplies to local care providers in resource-poor countries. These medicines are dispensed and distributed free of charge. CMMB places doctors, nurses and other volunteers in locations where their professional expertise is urgently needed. The Organization also provides disaster relief to regions hit by natural or political catastrophes.

The Organization operates throughout the world and maintains offices in New York, Haiti, Kenya, Peru, South Sudan and Zambia.

The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of accounting

The Organization prepares its financial statements on the accrual basis of accounting. The Organization adheres to accounting principles Generally Accepted in the United States of America (“GAAP”).

B. Basis of presentation

The Organization classifies its support as unrestricted, temporarily restricted or permanently restricted depending upon the absence or existence of donor-imposed restrictions or stipulations.

Unrestricted is support which can be used for any legal purpose, over which the Board of Directors has discretionary control.

Temporarily restricted is a donor-imposed restriction that specifies the use of the support and is satisfied either through the passage of time or by the Organization’s actions, and permits the Organization to use or expend part of the support. When a donor-imposed restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted is a donor-imposed restriction, which requires the Organization to maintain the contributed assets permanently, but permits the Organization to use or expend part of the income from the contributed assets. There were no permanently restricted net assets as of September 30, 2015 and 2014.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Donated pharmaceuticals, equipment, supplies and services

In accordance with U.S GAAP, industry standards and guidelines established by Partnership for Quality Medical Donations ("PQMD") donated pharmaceuticals, equipment, supplies and services are recognized in the financial statements on the date received at their estimated fair market value. The Organization's management estimates the fair value of donated pharmaceuticals on the basis of the wholesale acquisition costs listed in professional reference materials primarily, Thomson Reuters "Red Book" which is an industry recognized drug and pricing reference guide for the pharmaceutical industry in the United States. The wholesale acquisition cost is the approximate selling value of the pharmaceuticals in their principal exit market considering the condition and utility for use at the time the pharmaceuticals are donated. The fair values of donated equipment and supplies are estimated on the basis of prices listed in online reference materials and provided by manufacturers. CMMB's policy is to distribute the donated pharmaceuticals, equipment and supplies as soon as they are available for use or distribution. However, if the donated pharmaceuticals, equipment and supplies are not distributed, they are reflected as inventory and not expensed until released from CMMB's inventory. For the years ended September 30, 2015 and 2014, the Organization received donated pharmaceuticals, equipment and supplies of approximately $261,000,000 and $358,000,000, respectively. For the years ended September 30, 2015 and 2014, the Organization had obsolescence of inventory for approximately $22,740,000 and $34,206,000, respectively, due to the expiration of products prior to distribution.

The Organization also received donated services provided by licensed professionals as follows:

	September 30,	
	2015 Days	2014 Days
Licensed professionals	14,479	16,622

Donated services are recognized only if such services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The total estimated fair market value of the licensed professionals donated services, determined using the rates published by the United States Bureau of Labor Statistics from the most recent year, for the years ended September 30, 2015 and 2014 was approximately $4,894,000 and $5,566,000, respectively, which was recorded in the accompanying statements of activities, as these services meet the aforementioned criteria.

D. Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with maturities of three months or less to be cash equivalents.

E. Investments

Investments in marketable securities and gift annuity investments are stated at fair market value as discussed further at Note 2O. Unrealized and realized gains and losses and investment income are reported in the statements of activities as increases or decreases in unrestricted net assets.

F. Inventory

Purchased inventory is stated at the lower of cost or market value, and donated inventory is generally stated at wholesale acquisition cost which approximates fair value as discussed further at Note 2C.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Property and Equipment

Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from five to 50 years. The Organization capitalizes property and equipment with a cost of $5,000 or more and a useful life greater than one year. Certain purchases of equipment are expensed by the Organization rather than capitalizing because the cost of these items was reimbursed by governmental funding sources where the contractual agreement specifies that title to these assets rests with the governmental funding source rather than the Organization.

H. Allowance for uncollectible accounts

The Organization evaluates the need for an allowance for uncollectible accounts based on a combination of factors such as management's assessment of the creditworthiness of its donors and funders, a review of individual accounts outstanding, aged basis of the receivables, current economic conditions and historical experience. No allowance for uncollectible accounts was considered necessary at September 30, 2015 and 2014.

I. Deferred revenue

Deferred revenue represents funding received in advance of program services being provided by the Organization.

J. Deferred rent

The Organization leases real property under an operating lease. Since the rent payments increase over time, the Organization records an adjustment to rent expense to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected in the accompanying statements of financial position. As of September 30, 2015 and 2014, such deferral amounted to $413,096 and $0, respectively.

K. Government grants

Government grants are recognized as revenue when the expenses authorized under the contracts are incurred. Pursuant to the Organization's contractual relationships with certain governmental funding sources, outside governmental agencies have the right to examine the books and records of the Organization involving transactions relating to these contracts. The accompanying financial statements make no provision for possible disallowances.

L. Use of estimates

In preparing its financial statements in conformity with U.S. GAAP the Organization makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures at the date of the financial statements and the reported amounts of support and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Gift annuity program

The Organization has a gift annuity program whereby it receives contributions from participating donors. Under the arrangement, the Organization agrees to pay certain sums to the donors at prescribed intervals over the lives of the donors or other beneficiaries. The assets received are recorded at their fair value and the related liability is recorded as an annuity obligation at the present value of the estimated future payments to be distributed by the Organization, based on expected mortality and a discount rate. The amount of contribution to the Organization is the difference between the asset and the computed liability.

N. Functional allocation of expenses

The costs of providing various programs and supporting services such as, fundraising and administration, have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated as determined by management among the programs and supporting services benefited.

O. Fair value measurements of financial instruments

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 3.

P. Investment Spending Policy

The Organization's Board has authorized a policy to invest in accordance with sound investment practices that emphasize long-term investment fundamentals. The objective of this is to maximize long-term returns consistent with prudent levels of risk. Investment returns earned are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the investments. In establishing the investment objectives, the Organization has taken into account the time horizon available for the investment, the nature of the investment, and other factors that affect the Organization's risk tolerance. Accordingly, the investment objective is a balanced approach that emphasizes a stable, moderate level of appreciation over the long-term, net of investment costs and spending. Investments are expected to meet or exceed the return of the policy benchmark over a market cycle, expected to be a three to five-year time period. The Organization's Board has restricted the Investments as an endowment for five years and has indicated that earnings for that period be reinvested in the fund. After the initial five year period, earnings can be used for operations at a rate of 4% of the rolling fair market value of the Fund over a three year period.

Q. Reclassification

Certain line items in the 2014 financial statements have been reclassified to conform to the 2015 financial statement presentation.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described below:

Level 1: Valuations based on quoted price (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data exists. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

Financial assets carried at fair value at September 30, 2015 are classified in the table as follows:

	Level 1	Level 2	Total
Investments:			
Mutual funds			
Growth Funds	$ -	$ 3,367,276	$ 3,367,276
Inflation Funds	-	2,075,046	2,075,046
Deflation Funds	-	9,042,911	9,042,911
Total Investments	$ -	$ 14,485,233	$ 14,485,233
Gift annuity investments:			
Mutual funds			
Large Cap Equities	$ 537,905	$ -	$ 537,905
Small and Mid Cap Equities	273,184	-	273,184
International Equities	885,086	-	885,086
Diversified	62,127	-	62,127
REIT	106,532	-	106,532
Fixed Income	488,853	-	488,853
Fixed income			
U.S. Corporate Bonds	-	1,017,250	1,017,250
Total gift annuity investments	$ 2,353,687	$ 1,017,250	$ 3,370,937

Financial assets carried at fair value at September 30, 2014 are classified in the table as follows:

	Level 1	Level 2	Total
Investments:			
Mutual funds			
Real Estate	$ 56,521	$ -	$ 56,521
International	104,811	-	104,811
Large Blend	96,136	-	96,136
Small Value	12,901	-	12,901
Small Growth	19,510	-	19,510
Large Value	252,594	-	252,594
Large Growth	252,641	-	252,641
Fixed Income	378,406	-	378,406
Total Investments	$ 1,173,520	$ -	$ 1,173,520

NOTE 3 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

Gift annuity investments:			
Mutual funds			
Large Cap Equities	$ 791,429	$ -	$ 791,429
Small and Mid Cap Equities	223,434	-	223,434
International Equities	1,010,482	-	1,010,482
Diversified	37,188	-	37,188
REIT	217,882	-	217,882
Fixed Income	563,514	-	563,514
Fixed income			
U.S. Corporate Bonds	-	848,782	848,782
Total gift annuity investments	$ 2,843,929	$ 848,782	$ 3,692,711

Investments in mutual funds are valued using real-time quotes or market prices for similar funds in active markets (Levels 1 and 2). Growth Funds, Inflation Funds, Deflation Funds and Corporate Bonds are designated as Level 2 instruments and valuations are obtained from readily-available pricing sources for comparable instruments (credit risk/grade, maturities, etc). The Organization holds Level 2 instruments with Ascension Investments as of September 30, 2015. There are no redemption restrictions on the investments.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended September 30, 2015 and 2014 there were no transfers out of Levels 1, 2 or 3.

Investments are subject to market volatility that could substantially change their carrying value in the near term. The investment return and its classification in the statements of activities for the years ended September 30, 2015 and 2014 are as follows:

	2015	2014
Dividends and interest	$ 24,990	$ 27,222
Realized gain on sale of investments	203,456	30,265
Unrealized (loss) gain on investments	(676,512)	59,656
Total	$ (448,066)	$ 117,143

For the years ended September 30, 2015 and 2014, investment fees amounted to approximately $12,454 and $11,800, respectively.

For the years ended September 30, 2015 and 2014, there was interest of $487 and $650 respectively, earned on a savings account.

NOTE 4 – CONTRIBUTIONS AND PLEDGES RECEIVABLE

At September 30, 2015 and 2014, contributions and pledges receivable consist of:

	2015	2014
Various individual pledges	$ 856,079	$ 32,695
Grants	33,005	48,635
Total	$ 889,084	$ 81,330

All contributions and pledges receivable as of September 30, 2015, are expected to be collected during the year ending September 30, 2016.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2015 and 2014:

	2015	2014
Land	$ 39,900	$ 57,000
Office equipment	-	811,993
Vehicles	-	65,431
Warehouse	346,344	346,344
Warehouse improvements	557,182	557,182
Warehouse equipment	72,360	293,904
Leasehold Improvements	179,350	-
Total property and equipment	1,195,136	2,131,854
Less: accumulated depreciation	(820,123)	(1,933,312)
Total property and equipment, net	$ 375,013	$ 198,542

Depreciation expense amounted to $75,576 and $96,828 for the years ended September 30, 2015 and 2014, respectively.

Held for sale consisted of the following at September 30, 2014:

Office building	345,173
Office building improvements	1,017,089
Total held for sale	1,362,262
Less: accumulated depreciation	(1,067,808)
Total held for sale, net	$ 294,454

During fiscal year 2014, the Organization entered into a contract to sell its real property at 10 West 17th Street and received a non-refundable deposit in the amount of $1,500,000. The sale of the building was completed during the year ended September 30, 2015. Total cost of the land, building and building improvements was $1,379,362 and accumulated depreciation was in the amount of $1,097,831. Net proceeds on the sale were $26,045,385 resulting in a net gain on the sale of the land, building and building improvements in the amount of $25,763,854. Additionally, other equipment with a cost basis of $1,171,326 and accumulated depreciation in the amount of $1,158,742 was disposed of resulting in a loss of ($12,584).

NOTE 6 – GIFT ANNUITY PROGRAM

The Organization has a gift annuity program whereby donors transfer assets to the Organization, and the donor or specified beneficiaries receive fixed payments for the remainder of their lifetimes. A number of factors, including the amount placed in the gift annuity and the age of the donor or beneficiary, determine the amount of the fixed payment to the donor or beneficiary. Amounts received from donors are allocated between contribution support and gift annuity payable based on a predetermined formula. Contribution revenue amounted to approximately $41,209 and $334,665 for the years ended September 30, 2015 and 2014, respectively.

Gift annuity program investment return is included in the accompanying statements of activities for the years ended September 30, 2015 and 2014, and is summarized below:

	2015	2014
Dividends and interest	$ 94,970	$ 104,324
Realized gain on sale of gift annuity investments	40,533	10,157
Unrealized (loss) gain on gift annuity investments	(211,504)	118,555
Total	$ (76,001)	$ 233,036

NOTE 6 – GIFT ANNUITY PROGRAM (Continued)

For the years ended September 30, 2015 and 2014, investment fees amounted to approximately $41,000 and $40,000, respectively.

NOTE 7 – RETIREMENT PLAN

The Organization sponsors a savings plan under Section 401(k) of the Internal Revenue Code called the Catholic Medical Mission Board, Inc. 401(k) Savings Plan (the "401(k) Plan"). The 401(k) Plan allows eligible employees to contribute up to 20% of their compensation on a pre-tax basis, subject to an annual limitation per employee. The Organization contributes up to one-half of the first 6% of annual eligible compensation of employees participating.

The Organization also has the option of making a discretionary contribution to the 401(k) Plan. For the years ended September 30, 2015 and 2014, the Organization contributed $385,802 and $368,835 respectively, to the 401(k) Plan.

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at September 30, 2015 and 2014 consist of the following:

	2015	2014
Haiti grants (A)	$ 1,363,700	$ 2,286,425
Zbylut fund (B)	304,000	279,000
MVP restricted funds (C)	26,288	72,157
Healing Help (D)	501,006	436,001
Disaster Relief (E)	251,292	237,596
Reback Trust (F)	546,628	529,535
Safe Motherhood (G)	216,533	262,449
Peru Grants (H)	387,293	-
Zambia Grants (I)	58,177	-
Kenya Grants (J)	25,500	-
Sudan Grants (K)	65,001	-
Other	91,959	88,462
	$ 3,837,377	$ 4,191,625

(A) To be used to support Haiti specific programs.

(B) To provide funds for the training of nurses in developing countries.

(C) To be used to support the medical volunteer program.

(D) To be used to support the Healing Help program.

(E) To be used to provide relief from natural disasters worldwide.

(F) Property donated during the year ended September 30, 2009 (see Note 10)

(G) To be used to reduce maternal and neonatal mortality in South Sudan

(H) To be used to support Peru specific programs

(I) To be used to support Zambia specific programs

(J) To be used to support Kenya specific programs

(K) To be used to support Sudan specific programs

NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS (Continued)

Net assets of $4,634,254 and $2,164,027 were released from restrictions during the years September 30, 2015 and 2014, respectively, as a result of satisfying purpose restrictions.

NOTE 9 – BOARD DESIGNATED ENDOWMENT NET ASSETS

The Organization adheres to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). NYPMIFA creates a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted permanent endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. In addition, in accordance with U.S. GAAP, any unappropriated earnings on endowment funds that would otherwise be considered unrestricted by the donor should be reflected as temporarily restricted until appropriated by the Board of Directors.

The Organization's Board of Directors, understood the state law as allowing the Organization to appropriate for expenditure or accumulate so much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in a board designated shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. The policy for valuing the Organization's investments is described in Note 2E.

The Organization's Board designated endowment investment policy is to invest primarily in mutual funds based on an asset allocation, approved by the Board of Directors, to satisfy its overall endowment financial and investment objectives. The overall investment objective is to maximize the total return from income (dividends and interest) and the appreciation of investments.

The Organization's board designated endowment fund is restricted by the Board of Directors as noted in Note 2P. As of September 30, 2015 there are no donor restricted endowment funds.

Changes in board designated endowment net assets for year ended September 30, 2015 are as follows:

Board designated endowment net assets, beginning of year	$ -
Designation to endowment	15,000,000
Investment activity:	
Unrealized loss on investments	(514,716)
Total investment activity	(514,716)
Board designated endowment net assets, end of year	$ 14,485,284

NOTE 10 – CHARITABLE REMAINDER ANNUITY TRUST

In September 1997, the Organization was named as trustee for a charitable remainder annuity trust ("CRAT"). The CRAT is required to make annual payments to the donors equal to 7.1% of the net fair market value of the contributed assets as of the date the agreement was executed. Upon the death of the donors, the trustee is required to distribute the assets of the trust to the Little Sisters of the Poor of Los Angeles in the amount of the lesser of fifty percent of the assets or $1,000,000, and the remainder to the Organization. The fair market value of the trust assets at September 30, 2015 and 2014 was $187,214 and $268,845, respectively. For the years ended September 30, 2015 and 2014, actuarial calculations used to measure the Organization's related liability assumed a discount rate of 7.5% and used the 1983 Individual Annuity Mortality Table.

NOTE 10 – CHARITABLE REMAINDER ANNUITY TRUST (Continued)

On September 11, 2009, an order was approved by the Superior Court of the State of California for the County of San Diego for the distribution of the Estate of Frances Reback. The Organization was named as the beneficiary of a property with a fair market value of $615,000. The property is to be held by the Organization as a life estate for the benefit of certain individuals until their death or until they are no longer able to occupy the property. Upon one of these events, the Organization will be able to sell the property and use the proceeds for the purpose stated in the trust. The property was recorded as an asset and a temporarily restricted contribution at its net present value of $444,071 as of September 30, 2009, which was calculated using the estimated life expectancy (10 years) of the individuals occupying the property. The discount at 3.31%, in the amount of $170,929, is being amortized equally into revenue over a 10-year period. The net value of the asset as of September 30, 2015 and 2014, respectively, was $546,628 and $529,535.

NOTE 11– NOTE PAYABLE TO BANK

Pursuant to a September 15, 2013, revolving promissory note with a credit union, the Organization was allowed to borrow up to a maximum of $1.5 million. The Organization paid interest on a monthly basis with the entire balance outstanding to be paid by September 15, 2015, the maturity date of the note. The note was collateralized by the office building located at 10 West 17th Street, New York, NY. Interest was calculated at prime plus 1.00% (effective rate of 4.25% at September 30, 2014.) Interest expense for the years ended September 30, 2015 and 2014 amounted to $16,330 and $23,018, respectively. Borrowings outstanding as of September 30, 2014 amounted to $483,169. In July 2015, the account was closed by paying off the outstanding balance from the proceeds of the sale of the building located at 10 West 17th Street.

NOTE 12– COMMITMENTS AND CONTINGENCIES

A. In April 2015, the Organization entered into a lease agreement for office space, expiring in 2022, for its New York City headquarters. In connection with the lease, the Organization received four months of free rent and reimbursement from the landlord for leasehold improvements of approximately $430,000 The reimbursement from the landlord for leasehold improvements, as well as the value of the four months of free rent, have been recorded as a deferred rent obligation and are being amortized over the lease term. Rental expense for this space is recorded on a straight-line basis.

For the years ended after September 30, 2015, the future minimum rentals under the lease agreement is as follows:

2016	$ 433,000
2017	433,000
2018	433,000
2019	448,000
2020	468,000
Thereafter	1,052,000
	$ 3,267,000

Rental expenses included in the accompanying statement of functional expenses for the years ended September 30, 2015 and 2014 amounted to $469,732 and $357,422, respectively.

B. The Organization has no uncertain tax positions as of September 30, 2015 and 2014 in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The Organization is no longer subject to federal or state and local income tax examinations by tax authorities for the years prior to September 30, 2012.

NOTE 12– COMMITMENTS AND CONTINGENCIES (Continued)

C. The Organization had maintained a post-retirement medical plan for retired employees age fifty or greater and who had completed at least twenty years of service at the time of retirement. As of June 1, 2015, the Organization revised their medical plan and discontinued the benefits under the previous post-retirement medical plan as there were no retirees eligible for benefits. Accordingly, the liability as of September 30, 2014 in the amount of $252,933 has been written off during the year ended September 30, 2015. The Organization does not feel they have any additional commitment or obligation related to the post-retirement medical plan and if any claim arises in the future from a retiree, the exposure would be minimal.

NOTE 13 – CONCENTRATIONS

Credit Risk

Cash and cash equivalents that potentially subject the Organization to a concentration of credit risk include cash accounts with various financial institutions that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest bearing accounts are insured up to $250,000 per depositor.

As of September 30, 2015 and 2014, there was approximately $10,528,000 and $1,778,000, respectively, of cash and cash equivalents that exceeded FDIC limits.

Donated Pharmaceuticals, Equipment and Supplies

Three pharmaceutical companies accounted for approximately 83% and 89% of the donated pharmaceuticals, equipment and supplies for the years ended September 30, 2015 and 2014, respectively.

NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated, events subsequent to the date of the statement of financial position through December 16, 2015, the date the financial statements were available to be issued.