



Financial Statements
(Together with Independent Auditors' Report)

For the Years Ended September 30, 2009 and 2008

CATHOLIC MEDICAL MISSION BOARD, INC.

**FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)**

FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of Catholic Medical Mission Board, Inc. (the "Organization") as of September 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. 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 audit. The financial statements of the Organization as of and for the year ended September 30, 2008 were audited by other auditors, whose report dated March 10, 2009, expressed an unqualified opinion on those statements.

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 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 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 Catholic Medical Mission Board, Inc. as of September 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

New York, NY
March 9, 2010

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents (Notes 2D and 14)	\$ 953,831	\$ 1,505,139
Investments (Notes 2E, 3, 11 and 13)	640,161	2,853,913
Inventory (Note 2F)	12,505,379	15,713,323
Accrued interest and other receivables	46,625	229,911
Contributions and pledges receivable (Note 4)	109,306	52,799
Prepaid expenses	120,768	154,611
Property and equipment, net (Notes 2G, 5 and 12)	914,921	1,043,097
Gift annuity investments (Notes 2E, 2K, 6 and 13)	2,176,605	2,365,681
Other assets	85,092	64,768
Assets held in charitable remainder annuity trust (Note 10)	<u>879,717</u>	<u>505,473</u>
TOTAL ASSETS	<u>\$ 18,432,404</u>	<u>\$ 24,488,715</u>
LIABILITIES		
Accounts payable and accrued expenses (Note 11)	\$ 2,010,889	\$ 4,856,134
Deferred revenue (Note 2I)	1,231,755	1,881,196
Gift annuity payable (Note 6)	2,525,502	2,451,446
Charitable remainder annuity trust payable (Note 10)	425,128	487,137
Postretirement benefits (Note 8)	373,091	306,706
Note payable to bank (Note 12)	850,000	-
Other liabilities	<u>85,092</u>	<u>64,768</u>
TOTAL LIABILITIES	<u>7,501,457</u>	<u>10,047,387</u>
COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)		
NET ASSETS (Note 2B)		
Unrestricted	8,910,274	12,814,829
Temporarily restricted (Note 9)	<u>2,020,673</u>	<u>1,626,499</u>
TOTAL NET ASSETS	<u>10,930,947</u>	<u>14,441,328</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 18,432,404</u>	<u>\$ 24,488,715</u>

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	For the Year Ended September 30, 2009				For the Year Ended September 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2008
OPERATING SUPPORT AND REVENUE								
Donated pharmaceuticals, equipment and supplies (Note 2C)	\$ 261,902,027	\$ -	\$ -	\$ 261,902,027	\$ 190,719,352	\$ -	\$ -	\$ 190,719,352
Donated services (Note 2C)	5,724,219	-	-	5,724,219	6,905,909	-	-	6,905,909
Grants and contributions	14,715,944	1,693,421	-	16,409,365	13,344,434	1,311,789	-	14,656,223
Wills and legacies	1,907,484	-	-	1,907,484	1,620,257	-	-	1,620,257
Dividends and interest (Notes 3 and 6)	135,364	-	-	135,364	220,713	-	-	220,713
Net assets released from restrictions (Note 9)	1,299,247	(1,299,247)	-	-	638,227	(638,227)	-	-
TOTAL OPERATING SUPPORT AND REVENUE	285,684,285	394,174	-	286,078,459	213,448,892	673,562	-	214,122,454
OPERATING EXPENSES (Note 2C):								
Program Services (Note 1):								
Programs	10,434,593	-	-	10,434,593	10,482,138	-	-	10,482,138
Volunteers	6,222,375	-	-	6,222,375	7,696,749	-	-	7,696,749
Healing Help	266,073,567	-	-	266,073,567	188,222,111	-	-	188,222,111
Total Program Services	282,730,535	-	-	282,730,535	206,400,998	-	-	206,400,998
Supporting Services:								
Fundraising	3,408,130	-	-	3,408,130	5,225,615	-	-	5,225,615
Administration	2,963,507	-	-	2,963,507	3,339,833	-	-	3,339,833
Total Supporting Services	6,371,637	-	-	6,371,637	8,565,448	-	-	8,565,448
TOTAL OPERATING EXPENSES	289,102,172	-	-	289,102,172	214,966,446	-	-	214,966,446
Change in Net Assets from Operations	(3,417,887)	394,174	-	(3,023,713)	(1,517,554)	673,562	-	(843,992)
NONOPERATING ACTIVITIES								
Unrealized gain (loss) on investments (Notes 3 and 6)	413,572	-	-	413,572	(630,395)	-	-	(630,395)
Realized loss on sales of investments (Notes 3 and 6)	(689,703)	-	-	(689,703)	(99,204)	-	-	(99,204)
Change in valuation of gift annuity program payable (Note 6)	(197,327)	-	-	(197,327)	(81,612)	-	-	(81,612)
Change in valuation of charitable remainder annuity trust obligation (Note 10)	(7,818)	-	-	(7,818)	(4,629)	-	-	(4,629)
TOTAL NONOPERATING ACTIVITIES	(481,276)	-	-	(481,276)	(815,840)	-	-	(815,840)
Change in Net Assets before Postretirement Related Change	(3,899,163)	394,174	-	(3,504,989)	(2,333,394)	673,562	-	(1,659,832)
Postretirement related change other than net periodic cost (Note 9)	(5,392)	-	-	(5,392)	(17,882)	-	-	(17,882)
CHANGE IN TOTAL NET ASSETS	(3,904,555)	394,174	-	(3,510,381)	(2,351,276)	673,562	-	(1,677,714)
Net assets - beginning of year	12,814,829	1,626,499	-	14,441,328	15,186,105	952,937	-	16,119,042
NET ASSETS - END OF YEAR	\$ 8,910,274	\$ 2,020,673	\$ -	\$ 10,930,947	\$ 12,814,829	\$ 1,626,499	\$ -	\$ 14,441,328

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009
(With Comparative Totals for 2008)

	Programs	Volunteers	Healing Help	Total Program Services	Fundraising	Administration	Total Supporting Services	Total 2009	Total 2008
Salaries	\$ 2,563,315	\$ 142,854	\$ 414,793	\$ 3,120,962	\$ 1,156,974	\$ 1,088,042	\$ 2,245,016	\$ 5,365,978	\$ 5,031,688
Payroll taxes and fringe benefits (Notes 7 and 8)	523,757	57,088	105,159	686,004	295,921	332,081	628,002	1,314,006	1,595,715
Total Salaries and Related Costs	3,087,072	199,942	519,952	3,806,966	1,452,895	1,420,123	2,873,018	6,679,984	6,627,403
Temporary help	20,555	910	5,344	26,809	-	27,883	27,883	54,692	47,140
Postage and mailing	18,082	571	3,703	22,356	731,626	8,822	740,448	762,804	1,581,925
Rent and utilities	189,651	-	89,468	279,119	-	36,780	36,780	315,899	341,207
Telephone and communications	97,850	2,544	7,580	107,974	9,439	110,154	119,593	227,567	223,599
Supplies	848,956	2,949	28,768	880,673	5,630	54,470	60,100	940,773	693,728
Insurance	24,687	29,551	-	54,238	-	88,735	88,735	142,973	172,058
Maintenance	60,504	-	13,372	73,876	231	17,802	18,033	91,909	93,839
Professional services	390,052	171,555	-	561,607	572,645	429,385	1,002,030	1,563,637	2,407,018
Investment fees and bank charges	202,090	171	60	202,321	82,827	328,391	411,218	613,539	617,096
Conventions, meetings and workshops	671,048	1,617	1,790	674,455	4,637	30,002	34,639	709,094	659,175
Travel	515,672	69,796	5,577	591,045	46,660	71,213	117,873	708,918	1,193,469
Fees and membership	29,565	1,025	10,609	41,199	21,347	6,085	27,432	68,631	50,627
Advertising and publicity	33,700	-	-	33,700	29,477	1,242	30,719	64,419	26,450
Printing	23,829	-	-	23,829	318,777	81	318,858	342,687	952,598
Shipping, freight and storage	3,761	-	208,242	212,003	-	806	806	212,809	374,822
Staff training	3,888	9,806	639	14,333	4,455	3,554	8,009	22,342	81,455
Service contracts	53,693	7,719	5,801	67,203	127,484	238,147	365,631	432,834	398,299
Total Before Other Expenses	6,274,645	498,156	900,905	7,673,706	3,408,130	2,873,675	6,281,805	13,955,511	16,541,908
Other Expenses:									
Medical assistance to missions (Note 2C)	4,151,294	-	265,142,972	269,294,266	-	-	-	269,294,266	191,378,092
Donated services (Note 2C)	-	5,724,219	-	5,724,219	-	-	-	5,724,219	6,905,909
Depreciation	8,654	-	29,690	38,344	-	89,832	89,832	128,176	140,537
Total Other Expenses	4,159,948	5,724,219	265,172,662	275,056,829	-	89,832	89,832	275,146,661	198,424,538
Total Operating Expenses	\$ 10,434,593	\$ 6,222,375	\$ 266,073,567	\$ 282,730,535	\$ 3,408,130	\$ 2,963,507	\$ 6,371,637	\$ 289,102,172	\$ 214,966,446

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

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2008

	Programs	Volunteers	Healing Help	Total Program Services	Fundraising	Administration	Total Supporting Services	Total
Salaries	\$ 2,271,018	\$ 106,340	\$ 465,391	\$ 2,842,749	\$ 955,835	\$ 1,233,104	\$ 2,188,939	\$ 5,031,688
Payroll taxes and fringe benefits (Notes 7 and 8)	522,677	52,748	170,978	746,403	367,970	481,342	849,312	1,595,715
Total Salaries and Related Costs	2,793,695	159,088	636,369	3,589,152	1,323,805	1,714,446	3,038,251	6,627,403
Temporary help	19,556	8,418	-	27,974	8,065	11,101	19,166	47,140
Postage and mailing	19,919	2,530	3,240	25,689	1,544,974	11,262	1,556,236	1,581,925
Rent and utilities	197,563	-	92,563	290,126	-	51,081	51,081	341,207
Telephone and communications	99,767	1,616	13,917	115,300	9,066	99,233	108,299	223,599
Supplies	570,403	960	48,064	619,427	5,540	68,761	74,301	693,728
Insurance	15,547	65,377	-	80,924	-	91,134	91,134	172,058
Maintenance	67,602	-	12,183	79,785	-	14,054	14,054	93,839
Professional services	503,594	345,904	5,981	855,479	1,066,756	484,783	1,551,539	2,407,018
Investment fees and bank charges	285,592	1,369	-	286,961	82,086	248,049	330,135	617,096
Conventions, meetings and workshops	576,473	3,470	7,042	586,985	16,168	56,022	72,190	659,175
Travel	742,197	198,549	13,540	954,286	60,703	178,480	239,183	1,193,469
Fees and membership	20,086	1,475	10,730	32,291	11,432	6,904	18,336	50,627
Advertising and publicity	10,603	50	-	10,653	13,747	2,050	15,797	28,450
Printing and publications	41,122	-	37	41,159	910,907	532	911,439	952,598
Shipping, freight and storage	20,256	10	354,556	374,822	-	-	-	374,822
Staff development	29,701	780	829	31,310	29,097	21,048	50,145	81,455
Service contracts	50,505	1,244	20,710	72,459	143,269	182,571	325,840	398,299
Total Before Other Expenses	6,064,181	790,840	1,219,761	8,074,782	5,225,615	3,241,511	8,467,126	16,541,908
Other Expenses:								
Medical assistance to missions (Note 2C)	4,409,302	-	186,968,790	191,378,092	-	-	-	191,378,092
Donated services (Note 2C)	-	6,905,909	-	6,905,909	-	-	-	6,905,909
Depreciation	8,655	-	33,550	42,215	-	98,322	98,322	140,537
Total Other Expenses	4,417,957	6,905,909	187,002,350	198,326,216	-	98,322	98,322	198,424,538
Total Operating Expenses	\$ 10,482,138	\$ 7,696,749	\$ 188,222,111	\$ 206,400,998	\$ 5,225,615	\$ 3,339,833	\$ 8,565,448	\$ 214,966,446

Other Expenses:

Medical assistance to missions (Note 2C)

Donated services (Note 2C)

Depreciation

Total Other Expenses

Total Operating Expenses

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

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (3,510,381)	\$ (1,677,714)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	128,176	140,537
Amortization of bond premium	-	(432)
Postretirement related change other than periodic cost	5,392	17,882
Donated property held in charitable remainder annuity trust assets	(444,071)	-
Unrealized (gain) loss on investments and gift annuity investments	(413,572)	630,395
Realized loss on sale of investments and gift annuity investments	689,703	99,204
Change in valuation of gift annuity payable	197,327	81,612
Change in valuation of charitable remainder annuity trust obligation	7,818	4,629
Subtotal	(3,339,608)	(703,887)
Changes in operating assets and liabilities:		
Decrease (increase) in inventory	3,207,944	(3,921,656)
Decrease in accrued interest and other receivables	183,286	178,449
(Increase) decrease in contributions and pledges receivable	(56,507)	51,015
Decrease in prepaid expenses	33,843	268,192
(Decrease) increase in accounts payable and accrued expenses	(539,297)	3,994,600
Increase in deferred revenue	(649,441)	(1,881,196)
Increase in postretirement benefits	60,993	32,007
Change in other assets and liabilities	-	(3,750)
Net cash used by operating activities	(1,098,787)	(1,986,226)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities and gift annuity investments	3,180,692	3,273,498
Purchases of marketable securities and gift annuity investments	(1,046,150)	(3,534,715)
Net cash provided (used) by investing activities	2,134,542	(261,217)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Repayment) proceeds on line of credit	(2,305,948)	2,305,948
Proceeds from note payable to bank	1,720,307	-
Repayment on note payable to bank	(870,307)	-
Proceeds from gift annuities	35,000	405,424
Payment of gift annuity obligations	(166,115)	(247,969)
Net cash (used) provided by financing activities	(1,587,063)	2,463,403
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(551,308)	215,960
Cash and cash equivalents at beginning of year	1,505,139	1,289,179
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 953,831	\$ 1,505,139
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 24,240	\$ 57,627

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

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

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, Washington D.C., Haiti, Honduras, Kenya, South Africa 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.

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.

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 support. There were no permanently restricted net assets as of September 30, 2009 and 2008.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Donated pharmaceuticals, equipment, supplies and services

Donated pharmaceuticals, equipment, supplies and services are recognized in the financial statements if the services or goods 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 Organization records contributed pharmaceuticals, equipment, supplies and services at the industry standard on the date received using certain professional reference material relevant to the medical industry. For each of the years ended September 30, 2009 and 2008, the Organization received donated pharmaceuticals, equipment and supplies of approximately \$261,900,000 and \$190,700,000, respectively. The Organization also received donated services provided by licensed professionals as follows:

	September 30,	
	2009	2008
	Days	Days
Licensed professionals	18,351	24,882

The total estimated value of the licensed professionals donated services for the years ended September 30, 2009 and 2008 was approximately \$5,724,000 and \$6,906,000, respectively, which was recorded in the accompanying statement of activities, as these services meet the aforementioned criteria.

D. Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with original 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.

F. Inventory

Purchased inventory is stated at the lower of cost or market value, and donated inventory is generally stated at the industry standard using certain professional reference material.

G. Depreciation

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 50 years.

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, 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, 2009 and 2008.

I. Deferred revenue

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

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Government grants

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.

K. Use of estimates

In preparing its financial statements in conformity with accounting principles generally accepted in the United States of America, 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.

L. 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 life of the donors. 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.

M. 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.

N. Fair value measurements

The Organization adopted the provisions of Financial Accounting Standards Board ("FASB") Statement No. 157, "Fair Value Measurements" ("SFAS No. 157") (now at Accounting Standards Codification ("ASC") 820-10), which provides a framework for measuring fair value under generally accepted accounting principles in the United States of America ("U.S. GAAP"). SFAS No. 157 applies to all financial instruments that are being measured and reported on a fair value basis.

In February 2008, FASB issued FASB Staff Position No. 157-2, "Effective Date of FASB Statement No. 157," which permits a one-year deferral for the implementation of SFAS No. 157 with regard to nonfinancial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. The Organization has adopted the portion of the fair value standard that has not been delayed as of October 1, 2008 and plans to adopt the balance of its provisions as of its fiscal year beginning October 1, 2009.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2009 AND 2008

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As defined in SFAS No. 157, fair value is 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 determining fair value, the Organization uses various methods including market, income and cost approaches. Based on these approaches, the Organization often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Organization is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Valuations for assets and liabilities traded in active exchange markets. Level 1 also includes certain U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities, 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 for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker-traded transactions. Level 3 valuations are based on unobservable inputs when little or no market data is available and incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. The fair value hierarchy gives lowest priority to Level 3 inputs.

The classification of the Organization's financial assets and liabilities carried at fair value into the three levels of the fair value hierarchy is described in Note 13.

O. Subsequent events

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through March 9, 2010, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through March 9, 2010 that would require adjustment to our disclosure in the financial statements.

P. Reclassifications

Certain line items in the September 30, 2008 financial statements have been reclassified to conform with the September 30, 2009 presentation.

NOTE 3 - INVESTMENTS

Investments consist of the following at September 30, 2009 and 2008:

	2009		2008	
	Cost	Market	Cost	Market
Common stock	\$ 589,273	\$ 640,161	\$ 2,110,746	\$ 1,807,243
Corporate bonds	-	-	1,051,079	1,046,670
Total	<u>\$ 589,273</u>	<u>\$ 640,161</u>	<u>\$ 3,161,825</u>	<u>\$ 2,853,913</u>

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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, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Dividends and interest	\$ 35,132	\$ 111,686
Realized loss on sale of investments	(686,001)	(99,204)
Unrealized gain (loss) on investments	<u>348,636</u>	<u>(490,505)</u>
Total	\$ <u>(302,233)</u>	\$ <u>(478,023)</u>

For the years ended September 30, 2009 and 2008, investment fees amounted to approximately \$14,900 and \$33,500, respectively.

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

At September 30, 2009 and 2008, contributions and pledges receivable consist of:

	<u>2009</u>	<u>2008</u>
The Campaign for Women and Children	\$ 550	\$ 2,799
Various individual pledges	58,756	-
Grants	<u>50,000</u>	<u>50,000</u>
Total	\$ <u>109,306</u>	\$ <u>52,799</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment are stated at cost and consist of the following at September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Land	\$ 57,000	\$ 57,000
Office building	345,173	345,173
Office building improvements	1,016,849	1,016,849
Office equipment	778,837	791,294
Vehicles	65,431	65,431
Warehouse	346,344	346,344
Warehouse improvements	557,182	557,182
Warehouse equipment	<u>379,238</u>	<u>393,514</u>
Total property and equipment	3,546,054	3,572,787
Less: accumulated depreciation	<u>(2,631,133)</u>	<u>(2,529,690)</u>
Total property and equipment, net	\$ <u>914,921</u>	\$ <u>1,043,097</u>

The Organization wrote off fully depreciated assets in the amount of \$26,733 that were no longer in service as of September 30, 2009.

CATHOLIC MEDICAL MISSION BOARD, INC.
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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. A summary of activity in the gift annuity program during the years ended September 30, 2009 and 2008 is as follows:

	<u>2009</u>	<u>2008</u>
Gifts received from donors	\$ 35,000	\$ 405,424
Amount recognized as contribution revenue	<u>14,365</u>	<u>113,941</u>
Amount recognized as gift annuity payable	\$ <u>20,635</u>	\$ <u>291,483</u>
Gift annuity payable at beginning of year	\$ 2,451,446	\$ 2,260,946
Gift annuity payable at end of year	<u>2,525,502</u>	<u>2,451,446</u>
Net increase in gift annuity payable	\$ <u>74,056</u>	\$ <u>190,500</u>

The future minimum gift annuity payments are as follows for the years ended after September 30, 2009:

2010	\$ 221,062
2011	208,250
2012	194,487
2013	178,403
2014	164,191
Thereafter	<u>1,559,109</u>
Total	\$ <u>2,525,502</u>

Gift annuity program investment return is included in the accompanying statements of activities for the years ended September 30, 2009 and 2008, and is summarized below:

	<u>2009</u>	<u>2008</u>
Dividends and interest	\$ 100,225	\$ 109,027
Realized loss on sale of gift annuity investments	(3,701)	-
Unrealized gain (loss) on gift annuity investments	<u>64,936</u>	<u>(139,890)</u>
Total	\$ <u>161,460</u>	\$ <u>(30,863)</u>

For the years ended September 30, 2009 and 2008, investment fees amounted to approximately \$35,300 and \$31,700, respectively.

NOTE 7 - RETIREMENT PLANS

Through December 31, 2006, the Organization provided a pension plan for eligible employees through the Archdiocesan Pension Plan (the "Plan"). The Plan is a defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The Plan covered all employees who were thirty years of age or older, who had completed three years of service as of the beginning of the plan year (July 1). Under the Plan, a contribution was made to the account of each individual employee, based on annual compensation levels. The pension expense for the Plan was \$39,841 and \$46,025 for the years ended September 30, 2009 and 2008, respectively, which related to the underfunded portion of said Plan.

CATHOLIC MEDICAL MISSION BOARD, INC.
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SEPTEMBER 30, 2009 AND 2008

NOTE 7 - RETIREMENT PLANS (CONTINUED)

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, 2009 and 2008, the Organization contributed \$80,918 and \$253,710, respectively, to the 401(k) Plan.

NOTE 8 - POSTRETIREMENT BENEFITS

The Organization provides for medical insurance for retired employees age fifty or greater, who have achieved at least twenty years of service at the time of retirement. The Organization reimburses the equivalent cost of the post-age 65 plan for eligible retired employees and/or spouses who have not reached the age of sixty-five. The Organization assumes the full cost for a secondary insurance contract (supplemental to Medicare) for retired employees and/or spouses reaching the age of sixty-five. The postretirement plan is unfunded. International staff is not eligible for post retirement medical benefits.

In accordance with U.S. GAAP, the Organization is required to recognize the entire overfunded or underfunded status of its postretirement plan as assets and liabilities in its statement of financial position and to recognize the changes in the funded status in the year in which changes occur through a separate line within the change in unrestricted net assets, apart from expenses, to the extent those changes are not included in the net periodic cost.

The unfunded status and amounts recognized in the accompanying statements of financial position at September 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Benefit obligation	\$ (373,091)	\$ (306,706)
Fair value of plan assets	-	-
Funded status	\$ <u>(373,091)</u>	\$ <u>(306,076)</u>
Accrued postretirement benefit cost recognized in the accompanying statements of financial position	\$ (373,091)	\$ (306,076)
Discount rate	7.5%	7.5%
Benefit cost	\$ 52,320	\$ 42,798
Employer contribution	9,209	5,650

For measurement purposes, a 6% annual rate of increase in the per capita cost of covered health care benefits was assumed in fiscal year 2009 and 2008.

CATHOLIC MEDICAL MISSION BOARD, INC.
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NOTE 8 - POSTRETIREMENT BENEFITS (CONTINUED)

Assumed health care cost trends have a significant effect on the amounts reported for the health care plan. A 1-percentage-point change in assumed health care cost trend rates would have the following effects:

	<u>2009</u>		<u>2008</u>	
	<u>1-Percentage- Point Increase</u>	<u>1-Percentage- Point Decrease</u>	<u>1-Percentage- Point Increase</u>	<u>1-Percentage- Point Decrease</u>
Effect on total service and interest cost components	\$ (2,990)	\$ (25,826)	\$ (2,025)	\$ (20,241)
Effect on postretirement benefit obligation	94,775	(71,088)	78,546	(58,968)

The Organization expects to contribute approximately \$9,900 to fund these benefits in fiscal year 2010. The following represents future benefits to be paid for the years ending:

September 30:

2010	\$ 9,925
2011	10,304
2012	10,673
2013	11,029
2014	11,366
2015-2019	66,330

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at September 30, 2009 and 2008 consist of the following:

	<u>2009</u>	<u>2008</u>
Haiti grants (A)	\$ 91,209	\$ -
Zbylut fund (B)	180,098	162,934
South Africa (C)	116,009	239,238
Leprosy (D)	90,156	68,478
Kenya (A)	294,358	180,260
India (E)	494,838	452,057
Disaster Relief (F)	164,479	209,853
Technology	88,006	100,000
Reback Trust (G)	444,071	-
Other	57,459	213,679
	<u>\$ 2,020,673</u>	<u>\$ 1,626,499</u>

(A) To be used to assist in funding the Organization's programs for women and children.

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

CATHOLIC MEDICAL MISSION BOARD, INC.
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NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

(C) To be used to assist in funding the Organization's Born to Live programs in South Africa.

(D) To be used to provide funds for leprosy.

(E) To be used to provide funds for hepatitis work in India.

(F) To be used to provide relief from hurricanes in Latin and Central America.

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

Net assets of \$1,299,247 and \$638,227 were released from restrictions during the years ended September 30, 2009 and 2008, respectively, as a result of satisfying purpose restrictions.

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, 2009 and 2008 was \$435,647 and \$505,473, respectively.

Future minimum CRAT annuity principal payments are as follows for the years ended after September 30, 2009:

2010	\$	15,234
2011		16,357
2012		17,591
2013		18,947
2014		20,438
Thereafter		<u>336,561</u>
Total	\$	<u>425,128</u>

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, 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 \$170,930, will be amortized equally into revenue over a 10-year period.

CATHOLIC MEDICAL MISSION BOARD, INC.
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NOTE 11 - LINE OF CREDIT

On November 16, 2007, the Organization entered into an agreement with a financial institution for a line of credit. As of September 30, 2009 and 2008, the Organization had a balance outstanding of \$0 and \$2,305,948, respectively, which is included in accounts payable and accrued expenses in the accompanying statements of financial position. The line of credit availability is based on the pledged assets as follows: 50% Loan to Value of Equity investments and 70% Loan to Value of Fixed Income investments. Interest is calculated at LIBOR plus 1.25%. Interest paid on the line of credit amounted to approximately \$19,300 and \$55,900 for the years ended September 30, 2009 and 2008, respectively. There were no borrowings outstanding as of March 9, 2010.

NOTE 12 - NOTE PAYABLE TO BANK

Pursuant to a June 24, 2009 revolving promissory note with a credit union, the Organization can borrow up to a maximum of \$1.5 million. The Organization must pay interest on a monthly basis with the entire balance outstanding to be paid by June 24, 2012, the maturity date of the note. The note is collateralized by the office building located at 10 West 17th Street. Interest is calculated at prime plus 1.00% (effective rate of 4.25% at September 30, 2009). Interest paid on this note payable amounted to approximately \$3,300 for the year ended September 30, 2009. The outstanding balance as of September 30, 2009 was \$850,000, which was paid in full subsequent to year end. There were no borrowings outstanding as of March 9, 2010.

NOTE 13 - FAIR VALUE MEASUREMENTS

Financial assets carried at fair value at September 30, 2009 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Common stock	\$ 640,161	\$ -	\$ 640,161
Gift annuity investments:			
Common stock	514,908	-	514,908
Government and corporate bonds	-	1,132,256	1,132,256
Treasury notes	-	529,441	529,441
Total gift annuity investments	<u>514,908</u>	<u>1,661,697</u>	<u>2,176,605</u>
Total	<u>\$ 1,155,069</u>	<u>\$ 1,661,697</u>	<u>\$ 2,816,766</u>

Investments in common stock are valued using market prices in active markets (Level 1). Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets. Government and corporate bonds and treasury notes 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 does not hold any Level 3 instruments as of September 30, 2009.

CATHOLIC MEDICAL MISSION BOARD, INC.
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NOTE 14 - CONCENTRATIONS

Credit Risk

The Organization maintains its cash in various major financial institutions. Cash in banks is insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000 (as of September 30, 2008). Subsequent to October 1, 2008, FDIC insurance coverage for interest-bearing accounts was increased to \$250,000, expiring on December 31, 2013. For noninterest-bearing accounts, such coverage is unlimited to June 30, 2010 if the bank is a participating bank. On January 1, 2014, the standard insurance amount will return to \$100,000 per bank. As of September 30, 2009, cash accounts in banks exceeded federally insured limits by approximately \$765,000. The Organization has not experienced any losses on its cash deposits.

Donated Pharmaceuticals, Equipment and Supplies

Two pharmaceutical companies accounted for approximately 50% and 12% and 10% and 24% of the donated pharmaceuticals, equipment and supplies for the years ended September 30, 2009 and 2008, respectively.