Financial Statements
(Together with Independent Auditors' Report)

For the Years Ended September 30, 2010 and 2009

Marks Paneth & Shron LLP
Certified Public Accountants and Consultants

CATHOLIC MEDICAL MISSION BOARD, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

FOR THE YEARS ENDED SEPTEMBER 30, 2010 AND 2009

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Marks Paneth & Shron LLP
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of Catholic Medical Mission Board, Inc. (the "Organization") as of September 30, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Medical Mission Board, Inc. as of September 30, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Marks Paneth & Shron LLP

New York, NY
March 10, 2011

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2010 AND 2009

	2010	2009
ASSETS		
Cash and cash equivalents (Notes 2D and 14)	$ 1,829,715	$ 953,831
Investments (Notes 2E, 3, 11 and 13)	723,465	640,161
Inventory (Note 2F)	4,505,720	12,505,379
Accrued interest and other receivables (Note 2H)	498,253	46,625
Contributions and pledges receivable (Note 4)	158,480	109,306
Prepaid expenses	122,075	120,768
Property and equipment, net (Notes 2G, 5 and 12)	821,847	914,921
Gift annuity investments (Notes 2E, 2L, 6 and 13)	2,246,729	2,176,605
Other assets	110,586	85,091
Assets held in charitable remainder annuity trust (Note 10)	839,327	879,717
TOTAL ASSETS	$ 11,856,197	$ 18,432,404
LIABILITIES		
Accounts payable and accrued expenses	$ 1,883,489	$ 2,010,889
Deferred revenue (Note 2I)	165,344	1,231,755
Gift annuity payable (Notes 2L and 6)	2,462,070	2,525,502
Charitable remainder annuity trust payable (Note 10)	370,918	425,128
Postretirement benefits (Note 8)	392,576	373,091
Note payable to bank (Note 12)	-	850,000
Other liabilities	223,657	85,092
TOTAL LIABILITIES	5,498,054	7,501,457
COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)		
NET ASSETS (Note 2B)		
Unrestricted	3,171,104	8,910,274
Temporarily restricted (Note 9)	3,187,039	2,020,673
TOTAL NET ASSETS	6,358,143	10,930,947
TOTAL LIABILITIES AND NET ASSETS	$ 11,856,197	$ 18,432,404

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, 2010 AND 2009

	For the Year Ended September 30, 2010				For the Year Ended September 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2010	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2009
OPERATING SUPPORT AND REVENUE								
Donated pharmaceuticals, equipment and supplies (Note 2C)	$ 156,212,052	$ -	$ -	$ 156,212,052	$ 261,902,027	$ -	$ -	$ 261,902,027
Donated services (Note 2C)	10,036,864	-	-	10,036,864	5,724,219	-	-	5,724,219
Grants and contributions (Note 2J)	16,760,014	3,481,461	-	20,241,475	14,715,944	1,693,421	-	16,409,365
Wills and legacies	3,253,845	-	-	3,253,845	1,907,484	-	-	1,907,484
Dividends and interest (Notes 2E, 3 and 6)	97,603	-	-	97,603	135,364	-	-	135,364
Net assets released from restrictions (Note 9)	2,315,095	(2,315,095)	-	-	1,299,247	(1,299,247)	-	-
TOTAL OPERATING SUPPORT AND REVENUE	188,675,473	1,166,366	-	189,841,839	285,684,285	394,174	-	286,078,459
OPERATING EXPENSES (Note 2M):								
Program Services (Note 1):								
Programs	11,424,263	-	-	11,424,263	10,434,593	-	-	10,434,593
Volunteers (Note 2C)	10,559,980	-	-	10,559,980	6,222,375	-	-	6,222,375
Healing Help (Note 2C)	165,365,408	-	-	165,365,408	266,073,567	-	-	266,073,567
Total Program Services	187,349,651	-	-	187,349,651	282,730,535	-	-	282,730,535
Supporting Services:								
Fundraising	3,730,917	-	-	3,730,917	3,408,130	-	-	3,408,130
Administration	3,498,283	-	-	3,498,283	2,963,507	-	-	2,963,507
Total Supporting Services	7,229,200	-	-	7,229,200	6,371,637	-	-	6,371,637
TOTAL OPERATING EXPENSES	194,578,851	-	-	194,578,851	289,102,172	-	-	289,102,172
Change in Net Assets from Operations	(5,903,378)	1,166,366	-	(4,737,012)	(3,417,887)	394,174	-	(3,023,713)
NONOPERATING ACTIVITIES								
Unrealized gain on investments and gift annuity investments (Notes 2E, 3 and 6)	90,125	-	-	90,125	413,572	-	-	413,572
Realized gain (loss) on sales of investments and gift annuity investments (Notes 2E, 3 and 6)	36,774	-	-	36,774	(689,703)	-	-	(689,703)
Change in valuation of gift annuity payable (Note 6)	7,924	-	-	7,924	(197,327)	-	-	(197,327)
Change in valuation of charitable remainder annuity trust payable (Note 10	(3,273)	-	-	(3,273)	(7,818)	-	-	(7,818)
TOTAL NONOPERATING ACTIVITIES	131,550	-	-	131,550	(481,276)	-	-	(481,276)
Change in Net Assets before Postretirement Related Change	(5,771,828)	1,166,366	-	(4,605,462)	(3,899,163)	394,174	-	(3,504,989)
Postretirement related change other than net periodic cost (Note 8)	32,658	-	-	32,658	(5,392)	-	-	(5,392)
CHANGE IN TOTAL NET ASSETS	(5,739,170)	1,166,366	-	(4,572,804)	(3,904,555)	394,174	-	(3,510,381)
Net assets - beginning of year	8,910,274	2,020,673	-	10,930,947	12,814,829	1,626,499	-	14,441,328
NET ASSETS - END OF YEAR	$ 3,171,104	$ 3,187,039	$ -	$ 6,358,143	$ 8,910,274	$ 2,020,673	$ -	$ 10,930,947

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, 2010
(With Comparative Totals for 2009)

	Programs	Volunteers	Healing Help	Total Program Services	Fundraising	Administration	Total Supporting Services	Total 2010	Total 2009
Salaries	$ 2,746,117	$ 130,004	$ 474,748	$ 3,350,869	$ 738,538	$ 1,259,872	$ 1,998,410	$ 5,349,279	$ 5,365,978
Payroll taxes and fringe benefits (Notes 7 and 8)	746,675	55,639	150,750	953,064	231,339	554,317	785,656	1,738,720	1,314,006
Total Salaries and Related Costs	3,492,792	185,643	625,498	4,303,933	969,877	1,814,189	2,784,066	7,087,999	6,679,984
Temporary help	120,478	3,279	30,385	154,142	508	44,678	45,186	199,328	54,692
Postage and mailing	13,301	459	2,453	16,213	947,936	6,730	954,666	970,879	762,804
Rent and utilities	230,845	-	95,637	326,482	-	43,763	43,763	370,245	315,899
Telephone and communications	115,620	2,800	11,252	129,672	5,596	86,864	92,460	222,132	227,567
Supplies	1,057,265	3,676	49,534	1,110,475	3,003	68,867	71,870	1,182,345	940,773
Insurance	40,764	30,423	-	71,187	-	86,865	86,865	158,052	142,973
Maintenance	92,406	-	11,102	103,508	6,322	31,190	37,512	141,020	91,909
Professional services	255,089	179,129	7,673	441,891	988,905	288,498	1,277,403	1,719,294	1,563,637
Investment fees and bank charges	63,791	-	-	63,791	110,993	200,835	311,828	375,619	424,503
Foreign currency translation loss	281,519	-	-	281,519	-	42,077	42,077	323,596	189,036
Conventions, meetings and workshops	833,115	2,644	2,478	838,237	8,970	35,088	44,058	882,295	709,094
Travel	729,757	104,847	4,149	838,753	35,824	146,902	182,726	1,021,479	708,918
Fees and membership	128,152	1,112	11,569	140,833	9,869	19,319	29,188	170,021	68,631
Advertising and publicity	28,718	-	-	28,718	122,771	-	122,771	151,489	64,419
Printing	17,476	-	-	17,476	456,272	450	456,722	474,198	342,687
Shipping, freight and storage	112,810	-	124,460	237,270	15,910	383	16,293	253,563	212,809
Staff training	8,774	792	1,382	10,948	2,141	15,601	17,742	28,690	22,342
Service contracts	113,649	8,312	21,928	143,889	46,020	481,025	527,045	670,934	432,834
Total Before Other Expenses	7,736,321	523,116	999,500	9,258,937	3,730,917	3,413,324	7,144,241	16,403,178	13,955,511
Other Expenses:									
Medical assistance to missions (Note 2C)	3,679,287	-	164,337,439	168,016,726	-	-	-	168,016,726	269,294,266
Donated services (Note 2C)	-	10,036,864	-	10,036,864	-	-	-	10,036,864	5,724,219
Depreciation (Note 2G)	8,655	-	28,469	37,124	-	84,959	84,959	122,083	128,176
Total Other Expenses	3,687,942	10,036,864	164,365,908	178,090,714	-	84,959	84,959	178,175,673	275,146,661
Total Operating Expenses	$ 11,424,263	$ 10,559,980	$ 165,365,408	$ 187,349,651	$ 3,730,917	$ 3,498,283	$ 7,229,200	$ 194,578,851	$ 289,102,172

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, 2009

	Programs	Volunteers	Healing Help	Total Program Services	Fundraising	Administration	Total Supporting Services	Total 2009
Salaries	$ 2,563,315	$ 142,854	$ 414,793	$ 3,120,962	$ 1,156,974	$ 1,088,042	$ 2,245,016	$ 5,365,978
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
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
Temporary help	20,555	910	5,344	26,809	-	27,883	27,883	54,692
Postage and mailing	18,082	571	3,703	22,356	731,626	8,822	740,448	762,804
Rent and utilities	189,651	-	89,468	279,119	-	36,780	36,780	315,899
Telephone and communications	97,850	2,544	7,580	107,974	9,439	110,154	119,593	227,567
Supplies	848,956	2,949	28,768	880,673	5,630	54,470	60,100	940,773
Insurance	24,687	29,551	-	54,238	-	88,735	88,735	142,973
Maintenance	60,504	-	13,372	73,876	231	17,802	18,033	91,909
Professional services	390,052	171,555	-	561,607	572,645	429,385	1,002,030	1,563,637
Investment fees and bank charges	53,974	171	60	54,205	82,827	287,471	370,298	424,503
Foreign currency translation loss	148,116	-	-	148,116	-	40,920	40,920	189,036
Conventions, meetings and workshops	671,048	1,617	1,790	674,455	4,637	30,002	34,639	709,094
Travel	515,672	69,796	5,577	591,045	46,660	71,213	117,873	708,918
Fees and membership	29,565	1,025	10,609	41,199	21,347	6,085	27,432	68,631
Advertising and publicity	33,700	-	-	33,700	29,477	1,242	30,719	64,419
Printing	23,829	-	-	23,829	318,777	81	318,858	342,687
Shipping, freight and storage	3,761	-	208,242	212,003	-	806	806	212,809
Staff training	3,888	9,806	639	14,333	4,455	3,554	8,009	22,342
Service contracts	53,683	7,719	5,801	67,203	127,484	238,147	365,631	432,834
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
Other Expenses:								
Medical assistance to missions (Note 2C)	4,151,294	-	265,142,972	269,294,266	-	-	-	269,294,266
Donated services (Note 2C)	-	5,724,219	-	5,724,219	-	-	-	5,724,219
Depreciation (Note 2G)	8,654	-	29,690	38,344	-	89,832	89,832	128,176
Total Other Expenses	4,159,948	5,724,219	265,172,662	275,056,829	-	89,832	89,832	275,146,661
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

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, 2010 AND 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (4,572,804)	$ (3,510,381)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	122,083	128,176
Postretirement related change other than periodic cost	(32,658)	5,392
Donated property held in charitable remainder annuity trust assets	-	(444,071)
Amortization of discount on property held in trust	(17,093)	-
Unrealized gain on investments and gift annuity investments	(90,125)	(413,572)
Realized (gain) loss on sale of investments and gift annuity investments	(36,774)	689,703
Change in valuation of gift annuity payable	(7,924)	197,327
Change in valuation of charitable remainder annuity trust payable	3,273	7,818
Subtotal	(4,632,022)	(3,339,608)
Changes in operating assets and liabilities:		
Decrease in inventory	7,999,659	3,207,944
(Increase) decrease in accrued interest and other receivables	(451,628)	183,286
Increase in contributions and pledges receivable	(49,174)	(56,507)
(Increase) decrease in prepaid expenses	(1,307)	33,843
Decrease in accounts payable and accrued expenses	(127,400)	(539,297)
Decrease in deferred revenue	(1,066,411)	(649,441)
Increase in postretirement benefits	52,143	60,993
Change in other assets and liabilities	113,070	-
Net cash provided (used) by operating activities	1,836,930	(1,098,787)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(29,009)	-
Proceeds from sale of marketable securities and gift annuity investments	829,454	3,180,692
Purchases of marketable securities and gift annuity investments	(855,983)	(1,046,150)
Net cash (used) provided by investing activities	(55,538)	2,134,542
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments on line of credit	-	(2,305,948)
Proceeds from note payable to bank	8,245	1,720,307
Repayment on note payable to bank	(858,245)	(870,307)
Proceeds from gift annuities	85,371	35,000
Payment of gift annuity obligations	(140,879)	(166,115)
Net cash used by financing activities	(905,508)	(1,587,063)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	875,884	(551,308)
Cash and cash equivalents at beginning of year	953,831	1,505,139
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 1,829,715	$ 953,831
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the year for interest	$ 12,816	$ 24,240

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

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, Peru, South Africa, Southern Sudan, Uganda 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, 2010 and 2009.

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, 2010 and 2009, the Organization received donated pharmaceuticals, equipment and supplies of approximately $156,200,000 and $261,900,000, respectively. The Organization also received donated services provided by licensed professionals as follows:

	September 30,	
	2010 Days	2009 Days
Licensed professionals	28,485	18,351

The total estimated value of the licensed professionals donated services for the years ended September 30, 2010 and 2009 was approximately $10,037,000 and $5,724,000, 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 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. Unrealized and realized gains and losses and investment income are reported in the statement 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 the industry standard using certain professional reference material.

G. Property and Equipment

Property and equipment are 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 useful life of five years and a cost of $5,000 or more. Certain purchases or equipment are expensed by the Organization rather than capitalized 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, 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, 2010 and 2009.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Deferred revenue

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

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. Government grants are recognized as revenue when the expenses authorized under the contract are incurred.

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 lives 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

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 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 10, 2011, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through March 10, 2011 that would require adjustment to or disclosure in the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Tax positions

Effective October 1, 2009, the Organization adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), "Accounting for Uncertainties in Income Taxes – an interpretation of FASB Statement No. 109," now incorporated in ASC 740, which provides standards for establishing and classifying any tax provisions for uncertain tax positions. The adoption of FIN 48 did not have an effect on the Organization's financial position as of October 1, 2009 or the Organization's changes in net assets and cash flows for the year ended September 30, 2010. The Organization is no longer subject to federal or state and local tax examinations by tax authorities for fiscal years before 2008.

Q. Reclassifications

Certain line items in the September 30, 2009 financial statements have been reclassified to conform with the September 30, 2010 presentation.

NOTE 3 - INVESTMENTS

Investments consist of the following at September 30, 2010 and 2009:

	2010		2009	
	Cost	Market	Cost	Market
Common stock	$ 651,199	$ 723,465	$ 589,273	$ 640,161
Total	$ 651,199	$ 723,465	$ 589,273	$ 640,161

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, 2010 and 2009 is as follows:

	2010	2009
Dividends and interest	$ 19,341	$ 35,132
Realized gain (loss) on sale of investments	35,080	(686,001)
Unrealized gain on investments	21,378	348,636
Total	$ 75,799	$ (302,233)

For the years ended September 30, 2010 and 2009, investment fees amounted to approximately $10,900 and $14,900, respectively.

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

At September 30, 2010 and 2009, contributions and pledges receivable consist of:

	2010	2009
The Campaign for Women and Children	$ -	$ 550
Various individual pledges	158,480	58,756
Grants	-	50,000
Total	$ 158,480	$ 109,306

All contributions and pledges receivable as of September 30, 2010 are expected to be paid during the year ended September 30, 2011.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2010 and 2009:

	2010	2009
Land	$ 57,000	$ 57,000
Office building	345,173	345,173
Office building improvements	1,016,849	1,016,849
Office equipment	807,846	778,837
Vehicles	65,431	65,431
Warehouse	346,344	346,344
Warehouse improvements	557,182	557,182
Warehouse equipment	379,238	379,238
Total property and equipment	3,575,063	3,546,054
Less: accumulated depreciation	(2,753,216)	(2,631,133)
Total property and equipment, net	$ 821,847	$ 914,921

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 $56,200 and $14,400 for the years ended September 30, 2010 and 2009, respectively.

The future minimum gift annuity payments are as follows for the years ended after September 30, 2010:

2011	$ 220,492
2012	205,908
2013	190,882
2014	174,327
2015	158,913
Thereafter	1,511,548
Total	$ 2,462,070

Gift annuity program investment return is included in the accompanying statements of activities for the years ended September 30, 2010 and 2009, and is summarized below:

	2010	2009
Dividends and interest	$ 78,262	$ 100,225
Realized gain (loss) on sale of gift annuity investments	1,694	(3,701)
Unrealized gain on gift annuity investments	68,747	64,936
Total	$ 148,703	$ 161,460

For the years ended September 30, 2010 and 2009, investment fees amounted to approximately $25,800 and $35,300, 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 $39,848 and $39,841 for the years ended September 30, 2010 and 2009, respectively, which related to the underfunded portion of said 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, which was done for the year ended September 30, 2010. For the years ended September 30, 2010 and 2009, the Organization contributed $392,979 and $80,918, 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 are 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, 2010 and 2009 are as follows:

	2010	2009
Benefit obligation	$ (392,576)	$ (373,091)
Fair value of plan assets	-	-
Unfunded status	$ (392,576)	$ (373,091)
Discount rate	7.5%	7.5%
Net periodic cost	$ (64,137)	$ (52,320)
Benefits paid	6,602	9,209
Prior year other than net period cost	5,392	(17,882)
Current year other than net periodic cost	32,658	(5,392)
Change in unfunded status	$ (19,485)	$ (66,385)

NOTE 8 - POSTRETIREMENT BENEFITS (CONTINUED)

For measurement purposes, a 6% annual rate of increase in the per capita cost of covered health care benefits was assumed in fiscal years 2010 and 2009.

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

	2010		2009	
	1-Percentage-Point Increase	1-Percentage-Point Decrease	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest cost components	$ 16,881	$ (12,007)	$ (2,990)	$ (25,826)
Effect on postretirement benefit obligation	124,182	(90,754)	94,775	(71,088)

The following represents future benefits to be paid for the years ending:

September 30:	
2011	$ 7,125
2012	7,376
2013	7,615
2014	7,839
2015	8,043
2016-2020	53,145

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at September 30, 2010 and 2009 consist of the following:

	2010	2009
Haiti grants (A)	$ 275,944	$ 91,209
Zbylut fund (B)	194,424	180,098
South Africa (C)	61,042	116,009
Leprosy (D)	102,030	90,156
Kenya (A)	91,824	294,358
India (E)	369,204	494,838
Disaster Relief (F)	1,452,092	164,479
Technology	91,214	88,006
Reback Trust (G)	461,164	444,071
Other	88,101	57,449
	$ 3,187,039	$ 2,020,673

(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.

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

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

(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 natural disasters in the Caribbean, Latin and Central America.

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

Net assets of $2,315,095 and $1,299,247 were released from restrictions during the years ended September 30, 2010 and 2009, 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, 2010 and 2009 was $378,163 and $435,647, respectively.

Future minimum CRAT annuity principal payments are as follows for the years ended after September 30, 2010:

2011	$	17,233
2012		18,553
2013		20,006
2014		21,607
2015		23,388
Thereafter		270,131
Total	$	370,918

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, 2010 is $461,164.

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, 2010 and 2009, the Organization had a zero balance outstanding. 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 $0 and $19,300 for the years ended September 30, 2010 and 2009, respectively, and is included in investment fees and bank charges on the accompanying statements of functional expenses. There were no borrowings outstanding as of March 10, 2011.

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, 2010). Interest paid on this note payable amounted to approximately $11,300 and $3,300 for the years ended September 30, 2010 and 2009, respectively, and is included in investment fees and bank charges on the accompanying statements of functional expenses. The outstanding balance as of September 30, 2010 and 2009 was $0 and $850,000, respectively. There were no borrowings outstanding as of March 10, 2011.

NOTE 13 - FAIR VALUE MEASUREMENTS

The fair value hierarchy defines three levels as follows:

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.

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, 2010 are classified in the table as follows:

	Level 1	Level 2	Total
Investments:			
Common stock	$ 723,465	$ -	$ 723,465
Gift annuity investments:			
Common stock	577,119	-	577,119
Government and corporate bonds	-	1,161,799	1,161,799
Treasury notes	-	507,811	507,811
Total gift annuity investments	577,119	1,669,610	2,246,729
Total	$ 1,300,584	$ 1,669,610	$ 2,970,194

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

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

	Level 1	Level 2	Total
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	514,908	1,661,697	2,176,605
Total	$ 1,155,069	$ 1,661,697	$ 2,816,766

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 did not hold any Level 3 instruments as of September 30, 2010 and 2009.

NOTE 14 - CONCENTRATIONS

Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Effective October 14, 2008, the basic limit on federal deposit insurance coverage was increased from $100,000 to $250,000 for interest-bearing accounts until December 31, 2013. Such coverage was unlimited for noninterest-bearing accounts through June 30, 2010, for participating banks, through the Transaction Guarantee Program ("TAGP"). In July 2010, the FDIC insurance limit was permanently increased to $250,000 and, beginning December 31, 2010 through December 31, 2012, deposits held in noninterest-bearing accounts will be fully insured, regardless of the amount in the account, at all FDIC insured institutions.

As of September 30, 2010 and 2009, the Organization had cash accounts that exceeded the FDIC insurance limits by approximately $1,702,000 and $765,000, respectively.

Donated Pharmaceuticals, Equipment and Supplies

Three pharmaceutical companies accounted for approximately 16%, 12%, and 11% of the donated pharmaceuticals, equipment and supplies for the year ended September 30, 2010. Two pharmaceutical companies accounted for approximately 50% and 12% of the donated pharmaceuticals, equipment and supplies for the year ended September 30, 2009.