



Financial Statements
(Together with Independent Auditors' Report)

For the Years Ended September 30, 2011 and 2010

CATHOLIC MEDICAL MISSION BOARD, INC.

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

FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

CONTENTS

| | <u>Page</u> |
|--|--------------------|
| Independent Auditors' Report | 1 |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 |
| Statements of Functional Expenses..... | 4-5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements..... | 7-17 |

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, 2011 and 2010, 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, 2011 and 2010, 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 8, 2012

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2011 AND 2010

| | 2011 | 2010 |
|---|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents (Notes 2D and 14) | \$ 1,463,162 | \$ 1,829,715 |
| Investments (Notes 2E, 3, 11 and 13) | 736,723 | 723,465 |
| Inventory (Note 2F) | 52,689,029 | 4,505,720 |
| Accrued interest and other receivables (Note 2H) | 113,177 | 498,253 |
| Contributions and pledges receivable (Note 4) | 80,267 | 158,480 |
| Government grants receivable (Note 2H) | 1,148,014 | 389,027 |
| Prepaid expenses | 173,240 | 122,075 |
| Property and equipment, net (Notes 2G, 5 and 12) | 759,349 | 821,847 |
| Gift annuity investments (Notes 2E, 2L and 13) | 2,112,431 | 2,246,729 |
| Other assets | 127,966 | 110,586 |
| Assets held in charitable remainder annuity trust (Note 10) | <u>801,688</u> | <u>839,327</u> |
| TOTAL ASSETS | <u>\$ 60,205,046</u> | <u>\$ 12,245,224</u> |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 2,115,398 | \$ 1,883,489 |
| Deferred revenue (Note 2I) | 1,197,381 | 554,371 |
| Gift annuity payable (Notes 2L and 6) | 2,375,503 | 2,462,070 |
| Charitable remainder annuity trust payable (Note 10) | 317,384 | 370,918 |
| Postretirement benefits (Note 8) | 372,615 | 392,576 |
| Other liabilities | <u>268,086</u> | <u>223,657</u> |
| TOTAL LIABILITIES | <u>6,646,367</u> | <u>5,887,081</u> |
| COMMITMENTS AND CONTINGENCIES (Notes 11 and 12) | | |
| NET ASSETS (Note 2B) | | |
| Unrestricted | 51,358,217 | 3,171,104 |
| Temporarily restricted (Note 9) | <u>2,200,462</u> | <u>3,187,039</u> |
| TOTAL NET ASSETS | <u>53,558,679</u> | <u>6,358,143</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 60,205,046</u> | <u>\$ 12,245,224</u> |

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2011 AND 2010

| | For the Year Ended September 30, 2011 | | | | For the Year Ended September 30, 2010 | | | |
|--|---------------------------------------|------------------------|------------------------|----------------|---------------------------------------|------------------------|------------------------|----------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2011 | Unrestricted | Temporarily Restricted | Permanently Restricted | Total 2010 |
| OPERATING SUPPORT AND REVENUE | | | | | | | | |
| Donated pharmaceuticals, equipment and supplies (Note 2C) | \$ 283,068,639 | \$ - | \$ - | \$ 283,068,639 | \$ 156,212,052 | \$ - | \$ - | \$ 156,212,052 |
| Donated services (Note 2C) | 7,141,313 | - | - | 7,141,313 | 10,036,864 | - | - | 10,036,864 |
| Grants and contributions (Note 2J) | 17,652,717 | 1,934,257 | - | 19,586,974 | 16,760,014 | 3,481,461 | - | 20,241,475 |
| Wills and legacies | 2,256,762 | - | - | 2,256,762 | 3,253,845 | - | - | 3,253,845 |
| Dividends and interest (Notes 2E, 3 and 6) | 96,034 | - | - | 96,034 | 97,603 | - | - | 97,603 |
| Net assets released from restrictions (Note 9) | 2,920,834 | (2,920,834) | - | - | 2,315,095 | (2,315,095) | - | - |
| TOTAL OPERATING SUPPORT AND REVENUE | 313,136,299 | (986,577) | - | 312,149,722 | 188,675,473 | 1,166,366 | - | 189,841,839 |
| OPERATING EXPENSES (Note 2M): | | | | | | | | |
| Program Services (Note 1): | | | | | | | | |
| Programs | 13,437,426 | - | - | 13,437,426 | 11,424,263 | - | - | 11,424,263 |
| Volunteers (Note 2C) | 7,677,635 | - | - | 7,677,635 | 10,559,980 | - | - | 10,559,980 |
| Healing Help (Note 2C) | 236,223,821 | - | - | 236,223,821 | 165,365,408 | - | - | 165,365,408 |
| Total Program Services | 257,338,882 | - | - | 257,338,882 | 187,349,651 | - | - | 187,349,651 |
| Supporting Services: | | | | | | | | |
| Fundraising | 4,025,427 | - | - | 4,025,427 | 3,730,917 | - | - | 3,730,917 |
| Administration | 3,671,920 | - | - | 3,671,920 | 3,498,283 | - | - | 3,498,283 |
| Total Supporting Services | 7,697,347 | - | - | 7,697,347 | 7,229,200 | - | - | 7,229,200 |
| TOTAL OPERATING EXPENSES | 265,036,229 | - | - | 265,036,229 | 194,578,851 | - | - | 194,578,851 |
| Change in Net Assets from Operations | 48,100,070 | (986,577) | - | 47,113,493 | (5,903,378) | 1,166,366 | - | (4,737,012) |
| NONOPERATING ACTIVITIES | | | | | | | | |
| Unrealized (loss) gain on investments and gift annuity investments (Notes 2E, 3 and 6) | (165,425) | - | - | (165,425) | 90,125 | - | - | 90,125 |
| Realized gain on sales of investments and gift annuity investments (Notes 2E, 3 and 6) | 89,656 | - | - | 89,656 | 36,774 | - | - | 36,774 |
| Change in valuation of gift annuity payable (Note 6) | 56,870 | - | - | 56,870 | 7,924 | - | - | 7,924 |
| Change in valuation of charitable remainder annuity trust payable (Note 10) | (1,198) | - | - | (1,198) | (3,273) | - | - | (3,273) |
| TOTAL NONOPERATING ACTIVITIES | (20,097) | - | - | (20,097) | 131,550 | - | - | 131,550 |
| Change in Net Assets before Postretirement Related Change | 48,079,973 | (986,577) | - | 47,093,396 | (5,771,828) | 1,166,366 | - | (4,605,462) |
| Postretirement related change other than net periodic cost (Note 8) | 107,140 | - | - | 107,140 | 32,658 | - | - | 32,658 |
| CHANGE IN TOTAL NET ASSETS | 48,187,113 | (986,577) | - | 47,200,536 | (5,739,170) | 1,166,366 | - | (4,572,804) |
| Net assets - beginning of year | 3,171,104 | 3,187,039 | - | 6,358,143 | 8,910,274 | 2,020,673 | - | 10,930,947 |
| NET ASSETS - END OF YEAR | \$ 51,358,217 | \$ 2,200,462 | \$ - | \$ 53,558,679 | \$ 3,171,104 | \$ 3,187,039 | \$ - | \$ 6,358,143 |

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, 2011
(With Comparative Totals for 2010)

| | Programs | Volunteers | Healing Help | Total Program Services | Fundraising | Administration | Total Supporting Services | Total 2011 | Total 2010 |
|---|---------------|--------------|----------------|------------------------|--------------|----------------|---------------------------|----------------|----------------|
| Salaries | \$ 3,683,330 | \$ 135,962 | \$ 503,398 | \$ 4,322,680 | \$ 788,215 | \$ 1,149,470 | \$ 1,937,885 | \$ 6,260,375 | \$ 5,349,279 |
| Payroll taxes and fringe benefits (Notes 7 and 8) | 1,029,040 | 59,317 | 137,236 | 1,225,593 | 224,249 | 427,209 | 651,458 | 1,877,051 | 1,738,720 |
| Total Salaries and Related Costs | 4,712,370 | 195,279 | 640,634 | 5,548,283 | 1,012,464 | 1,576,679 | 2,589,143 | 8,137,426 | 7,087,999 |
| Temporary help | 179,113 | 65 | 7,236 | 186,414 | 5,399 | 100,586 | 105,985 | 292,399 | 199,328 |
| Postage and mailing | 14,701 | 418 | 1,142 | 16,261 | 706,635 | 6,845 | 713,480 | 729,741 | 970,879 |
| Rent and utilities | 342,285 | 2,078 | 99,005 | 443,368 | 125 | 66,152 | 66,277 | 509,645 | 370,245 |
| Telephone and communications | 154,478 | 2,314 | 15,882 | 172,674 | 104,019 | 81,511 | 185,530 | 358,204 | 222,132 |
| Supplies | 1,260,398 | 2,595 | 14,224 | 1,277,217 | 11,420 | 71,996 | 83,416 | 1,360,633 | 1,182,345 |
| Insurance | 87,285 | 29,428 | - | 116,713 | 100 | 87,611 | 87,711 | 204,424 | 158,052 |
| Maintenance | 147,903 | 115 | 11,540 | 159,558 | 18 | 40,203 | 40,221 | 199,779 | 141,020 |
| Professional services | 402,300 | 209,629 | 22,065 | 633,994 | 1,205,714 | 230,270 | 1,435,984 | 2,069,978 | 1,719,294 |
| Investment fees and bank charges | 33,049 | - | 180 | 33,229 | 102,345 | 224,638 | 326,983 | 360,212 | 375,619 |
| Foreign currency translation loss | 174,822 | - | - | 174,822 | - | - | - | 174,822 | 323,596 |
| Conventions, meetings and workshops | 1,130,955 | 3,633 | 777 | 1,135,365 | 31,320 | 76,980 | 108,300 | 1,243,665 | 882,295 |
| Travel | 938,971 | 76,066 | 8,175 | 1,023,212 | 80,525 | 362,328 | 442,853 | 1,466,065 | 1,021,479 |
| Fees and membership | 41,521 | 1,657 | 11,395 | 54,573 | 19,613 | 24,424 | 44,037 | 98,610 | 170,021 |
| Advertising and publicity | 6,595 | - | - | 6,595 | 31,459 | 500 | 31,959 | 38,554 | 151,489 |
| Printing | 29,368 | 358 | - | 29,726 | 528,430 | 47 | 528,477 | 558,203 | 474,198 |
| Shipping, freight and storage | 67,316 | - | 183,754 | 251,070 | 30,101 | - | 30,101 | 281,171 | 253,563 |
| Staff training | 8,621 | 439 | - | 9,060 | 71,528 | 75,975 | 147,503 | 156,563 | 28,690 |
| Service contracts | 62,166 | 12,248 | 61,892 | 136,106 | 84,212 | 569,339 | 653,551 | 789,657 | 670,934 |
| Total Before Other Expenses | 9,794,217 | 536,322 | 1,077,701 | 11,408,240 | 4,025,427 | 3,596,084 | 7,621,511 | 19,029,751 | 16,403,178 |
| Other Expenses: | | | | | | | | | |
| Medical assistance to missions (Note 2C) | 3,636,666 | - | 235,117,861 | 238,754,547 | - | - | - | 238,754,547 | 188,016,726 |
| Donated services (Note 2C) | - | 7,141,313 | - | 7,141,313 | - | - | - | 7,141,313 | 10,036,864 |
| Depreciation (Note 2G) | 6,543 | - | 28,239 | 34,782 | - | 75,836 | 75,836 | 110,618 | 122,083 |
| Total Other Expenses | 3,643,209 | 7,141,313 | 235,146,120 | 245,930,642 | - | 75,836 | 75,836 | 246,006,478 | 178,175,673 |
| Total Operating Expenses | \$ 13,437,426 | \$ 7,617,635 | \$ 236,223,821 | \$ 257,338,882 | \$ 4,025,427 | \$ 3,671,920 | \$ 7,697,347 | \$ 265,036,229 | \$ 194,578,851 |

Other Expenses:

Medical assistance to missions (Note 2C)

Donated services (Note 2C)

Depreciation (Note 2G)

Total Other Expenses

Total Operating Expenses

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, 2010**

| | Programs | Volunteers | Healing Help | Total Program Services | Fundraising | Administration | Total Supporting Services | Total |
|---|----------------------|----------------------|-----------------------|---------------------------|---------------------|---------------------|---------------------------------|-----------------------|
| Salaries | \$ 2,746,117 | \$ 130,004 | \$ 474,748 | \$ 3,350,869 | \$ 738,538 | \$ 1,259,872 | \$ 1,998,410 | \$ 5,349,279 |
| Payroll taxes and fringe benefits (Notes 7 and 8) | 746,875 | 55,639 | 150,750 | 953,064 | 231,339 | 554,317 | 785,656 | 1,738,720 |
| Total Salaries and Related Costs | 3,492,992 | 185,643 | 625,498 | 4,303,933 | 969,877 | 1,814,189 | 2,784,066 | 7,087,999 |
| Temporary help | 120,478 | 3,279 | 30,385 | 154,142 | 508 | 44,678 | 45,186 | 199,328 |
| Postage and mailing | 13,301 | 459 | 2,453 | 16,213 | 947,936 | 6,730 | 954,666 | 970,879 |
| Rent and utilities | 230,845 | - | 95,637 | 326,482 | - | 43,763 | 43,763 | 370,245 |
| Telephone and communications | 115,620 | 2,800 | 11,252 | 129,672 | 5,596 | 86,864 | 92,460 | 222,132 |
| Supplies | 1,057,265 | 3,676 | 49,534 | 1,110,475 | 3,003 | 68,867 | 71,870 | 1,182,345 |
| Insurance | 40,764 | 30,423 | - | 71,187 | - | 86,865 | 86,865 | 158,052 |
| Maintenance | 92,406 | - | 11,102 | 103,508 | 6,322 | 31,190 | 37,512 | 141,020 |
| Professional services | 255,089 | 179,129 | 7,673 | 441,891 | 988,905 | 288,498 | 1,277,403 | 1,719,294 |
| Investment fees and bank charges | 63,791 | - | - | 63,791 | 110,993 | 200,835 | 311,828 | 375,619 |
| Foreign currency translation loss | 281,519 | - | - | 281,519 | - | 42,077 | 42,077 | 323,596 |
| Conventions, meetings and workshops | 833,115 | 2,644 | 2,478 | 838,237 | 8,970 | 35,088 | 44,058 | 882,295 |
| Travel | 729,757 | 104,847 | 4,149 | 838,753 | 35,824 | 146,902 | 182,726 | 1,021,479 |
| Fees and membership | 128,152 | 1,112 | 11,569 | 140,833 | 9,869 | 19,319 | 29,188 | 170,021 |
| Advertising and publicity | 28,718 | - | - | 28,718 | 122,771 | - | 122,771 | 151,489 |
| Printing | 17,476 | - | - | 17,476 | 456,272 | 450 | 456,722 | 474,198 |
| Shipping, freight and storage | 112,810 | - | 124,460 | 237,270 | 15,910 | 383 | 16,293 | 253,563 |
| Staff training | 8,774 | 792 | 1,382 | 10,948 | 2,141 | 15,601 | 17,742 | 28,690 |
| Service contracts | 113,649 | 8,312 | 21,928 | 143,889 | 46,020 | 481,025 | 527,045 | 670,934 |
| 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 |
| Other Expenses: | | | | | | | | |
| Medical assistance to missions (Note 2C) | 3,679,287 | - | 164,337,439 | 168,016,726 | - | - | - | 168,016,726 |
| Donated services (Note 2C) | - | 10,036,864 | - | 10,036,864 | - | - | - | 10,036,864 |
| Depreciation (Note 2G) | 8,655 | - | 28,469 | 37,124 | - | 84,959 | 84,959 | 122,083 |
| Total Other Expenses | 3,687,942 | 10,036,864 | 164,365,908 | 178,090,714 | - | 84,959 | 84,959 | 178,175,673 |
| 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 |

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, 2011 AND 2010

| | <u>2011</u> | <u>2010</u> |
|--|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ 47,200,536 | \$ (4,572,804) |
| Adjustments to reconcile change in net assets to net cash (used) provided by operating activities: | | |
| Depreciation | 110,618 | 122,083 |
| Postretirement related change other than periodic cost | (107,140) | (32,658) |
| Amortization of discount on property held in trust | (17,092) | (17,093) |
| Unrealized loss (gain) on investments and gift annuity investments | 165,425 | (90,125) |
| Realized gain on sale of investments and gift annuity investments | (89,656) | (36,774) |
| Change in valuation of gift annuity payable | (56,870) | (7,924) |
| Change in valuation of charitable remainder annuity trust payable | 1,198 | 3,273 |
| Subtotal | 47,207,019 | (4,632,022) |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease in inventory | (48,183,309) | 7,999,659 |
| Decrease (increase) in accrued interest and other receivables | 385,076 | (451,628) |
| (Decrease) increase in contributions and pledges receivable | 78,213 | (49,174) |
| Increase in government grants receivable | (758,987) | (279,535) |
| Increase in prepaid expenses | (51,165) | (1,307) |
| Increase (decrease) in accounts payable and accrued expenses | 231,909 | (127,400) |
| Increase (decrease) in deferred revenue | 643,010 | (786,876) |
| Increase in postretirement benefits | 87,179 | 52,143 |
| Change in other assets and liabilities | 27,049 | 113,070 |
| Net cash (used) provided by operating activities | (334,006) | 1,836,930 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (48,120) | (29,009) |
| Proceeds from sale of marketable securities and gift annuity investments | 1,020,320 | 829,454 |
| Purchases of marketable securities and gift annuity investments | (975,049) | (855,983) |
| Net cash used by investing activities | (2,849) | (55,538) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from note payable to bank | - | 8,245 |
| Repayment on note payable to bank | - | (858,245) |
| Proceeds from gift annuities | 132,366 | 85,371 |
| Payment of gift annuity obligations | (162,064) | (140,879) |
| Net cash used by financing activities | (29,698) | (905,508) |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (366,553) | 875,884 |
| Cash and cash equivalents at beginning of year | 1,829,715 | 953,831 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 1,463,162</u> | <u>\$ 1,829,715</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Cash paid during the year for interest | <u>\$ -</u> | <u>\$ 12,816</u> |

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

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

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 income from the contributed assets. There were no permanently restricted net assets as of September 30, 2011 and 2010.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

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, 2011 and 2010, the Organization received donated pharmaceuticals, equipment and supplies of approximately \$283,070,000 and \$156,200,000, respectively. The Organization also received donated services provided by licensed professionals as follows:

| | September 30, | |
|------------------------|---------------|--------|
| | 2011 | 2010 |
| | Days | Days |
| Licensed professionals | 22,103 | 28,485 |

The total estimated value of the licensed professionals donated services for the years ended September 30, 2011 and 2010 was approximately \$7,141,000 and \$10,037,000, 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 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, 2011 and 2010.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

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 8, 2012, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through March 8, 2012 that would require adjustment to or disclosure in the financial statements.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Tax positions

The Organization has no uncertain tax positions as of September 30, 2011 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, 2009.

Q. Reclassifications

Certain line items in the September 30, 2010 financial statements have been reclassified to conform with the September 30, 2011 presentation.

NOTE 3 - INVESTMENTS

Investments consist of the following at September 30, 2011 and 2010:

| | <u>2011</u> | | <u>2010</u> | |
|--------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Cost</u> | <u>Market</u> | <u>Cost</u> | <u>Market</u> |
| Common stock | \$ <u>769,995</u> | \$ <u>736,723</u> | \$ <u>651,199</u> | \$ <u>723,465</u> |
| Total | \$ <u>769,995</u> | \$ <u>736,723</u> | \$ <u>651,199</u> | \$ <u>723,465</u> |

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, 2011 and 2010 is as follows:

| | <u>2011</u> | <u>2010</u> |
|---------------------------------------|--------------------|------------------|
| Dividends and interest | \$ 21,477 | \$ 19,341 |
| Realized gain on sale of investments | 82,245 | 35,080 |
| Unrealized (loss) gain on investments | <u>(118,842)</u> | <u>21,378</u> |
| Total | \$ <u>(15,120)</u> | \$ <u>75,799</u> |

For the years ended September 30, 2011 and 2010, investment fees amounted to approximately \$13,700 and \$10,900 respectively.

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

At September 30, 2011 and 2010, contributions and pledges receivable consist of:

| | <u>2011</u> | <u>2010</u> |
|----------------------------|------------------|-------------------|
| Various individual pledges | \$ 31,575 | \$ 158,480 |
| Grants | <u>48,692</u> | <u>-</u> |
| Total | \$ <u>80,267</u> | \$ <u>158,480</u> |

All contributions and pledges receivable as of September 30, 2011 are expected to be paid during the year ended September 30, 2012.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2011 and 2010:

| | <u>2011</u> | <u>2010</u> |
|-----------------------------------|--------------------|--------------------|
| Land | \$ 57,000 | \$ 57,000 |
| Office building | 345,173 | 345,173 |
| Office building improvements | 1,010,839 | 1,016,849 |
| Office equipment | 781,709 | 807,846 |
| Vehicles | 65,431 | 65,431 |
| Warehouse | 346,344 | 346,344 |
| Warehouse improvements | 557,182 | 557,182 |
| Warehouse equipment | 293,904 | 379,238 |
| Total property and equipment | 3,457,582 | 3,575,063 |
| Less: accumulated depreciation | <u>(2,698,233)</u> | <u>(2,753,216)</u> |
| Total property and equipment, net | \$ <u>759,349</u> | \$ <u>821,847</u> |

Depreciation expense amounted to \$110,618 and \$122,083 for the years ended September 30, 2011 and 2010, respectively. During the year ended September 30, 2011, the Organization wrote off fully depreciated property and equipment no longer in use amounting to \$165,601.

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 \$132,300 and \$56,200 for the years ended September 30, 2011 and 2010, respectively.

The future minimum gift annuity payments are as follows for the years ended after September 30, 2011:

| | |
|------------|---------------------|
| 2012 | \$ 241,620 |
| 2013 | 223,929 |
| 2014 | 204,030 |
| 2015 | 184,776 |
| 2016 | 167,564 |
| Thereafter | <u>1,353,584</u> |
| Total | \$ <u>2,375,503</u> |

Gift annuity program investment return is included in the accompanying statements of activities for the years ended September 30, 2011 and 2010, and is summarized below:

| | <u>2011</u> | <u>2010</u> |
|--|------------------|-------------------|
| Dividends and interest | \$ 74,557 | \$ 78,262 |
| Realized gain on sale of gift annuity investments | 7,411 | 1,694 |
| Unrealized (loss) gain on gift annuity investments | <u>(46,583)</u> | <u>68,747</u> |
| Total | \$ <u>35,385</u> | \$ <u>148,703</u> |

For the years ended September 30, 2011 and 2010, investment fees amounted to approximately \$35,700 and \$25,800, respectively.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

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 \$30,142 and \$39,848 for the years ended September 30, 2011 and 2010, 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. For the years ended September 30, 2011 and 2010, the Organization contributed \$387,634 and \$392,979, 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, 2011 and 2010 are as follows:

| | <u>2011</u> | <u>2010</u> |
|---|---------------------|---------------------|
| Benefit obligation | \$ <u>(372,615)</u> | \$ <u>(392,576)</u> |
| Unfunded status | \$ <u>(372,615)</u> | \$ <u>(392,576)</u> |
| Discount rate | 5.0% | 7.5% |
| Net periodic cost | \$ (56,727) | \$ (64,137) |
| Benefits paid | 2,206 | 6,602 |
| Prior year other than net period cost | (32,658) | 5,392 |
| Current year other than net periodic cost | <u>107,140</u> | <u>32,658</u> |
| Change in unfunded status | \$ <u>19,961</u> | \$ <u>(19,485)</u> |

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

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 2011 and 2010.

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:

| | <u>2011</u> | | <u>2010</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 | \$ 22,225 | \$ (14,802) | \$ 16,881 | \$ (12,007) |
| Effect on postretirement benefit obligation | 152,915 | (104,082) | 124,182 | (90,754) |

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

September 30:

| | |
|-----------|----------|
| 2012 | \$ 1,931 |
| 2013 | 1,964 |
| 2014 | 1,989 |
| 2015 | 2,003 |
| 2016 | 2,007 |
| 2017-2021 | 12,413 |

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at September 30, 2011 and 2010 consist of the following:

| | <u>2011</u> | <u>2010</u> |
|---------------------|---------------------|---------------------|
| Haiti grants (A) | \$ 514,096 | \$ 275,944 |
| Zbylut fund (B) | 204,060 | 194,424 |
| South Africa (C) | - | 61,042 |
| Leprosy (D) | 70,465 | 102,030 |
| Kenya (A) | - | 91,824 |
| India (E) | 110,519 | 369,204 |
| Disaster Relief (F) | 714,946 | 1,452,092 |
| Technology | - | 91,214 |
| Reback Trust (G) | 478,256 | 461,164 |
| Other | 108,120 | 88,101 |
| | <u>\$ 2,200,462</u> | <u>\$ 3,187,039</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.
- (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.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

(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 \$2,920,834 and \$2,315,095 were released from restrictions during the years ended September 30, 2011 and 2010, 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, 2011 and 2010 was \$323,432 and \$378,163, respectively.

Future minimum CRAT annuity principal payments are as follows for the years ended after September 30, 2011:

| | |
|------------|-------------------|
| 2012 | \$ 19,326 |
| 2013 | 20,857 |
| 2014 | 22,548 |
| 2015 | 24,431 |
| 2016 | 26,539 |
| Thereafter | <u>203,683</u> |
| Total | \$ <u>317,384</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 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, 2011 and 2010, respectively, was \$478,256 and \$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, 2011 and 2010, 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%. No interest was paid on the line of credit for the years ended September 30, 2011 and 2010. There were no borrowings outstanding as of March 8, 2012.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 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, 2011). Interest paid on this note payable amounted to approximately \$0 and \$12,900 for the years ended September 30, 2011 and 2010, respectively, and is included in investment fees and bank charges on the accompanying statements of functional expenses. There were no borrowings as of September 30, 2011 and 2010 and March 8, 2012.

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, 2011 are classified in the table as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|--------------------------------|-------------------|---------------------|---------------------|
| Investments: | | | |
| Common stock | | | |
| Consumer goods | \$ 197,398 | \$ - | \$ 197,398 |
| Healthcare | 76,854 | - | 76,854 |
| Technology | 156,206 | - | 156,206 |
| Energy | 90,219 | - | 90,219 |
| Financial | 87,856 | - | 87,856 |
| Industrials | 107,982 | - | 107,982 |
| Other | 20,208 | - | 20,208 |
| Total Investments | <u>\$ 736,723</u> | <u>\$ -</u> | <u>\$ 736,723</u> |
| Gift annuity investments: | | | |
| Mutual funds | | | |
| Large cap equities | 310,805 | - | 310,805 |
| Small and mid cap equities | 109,273 | - | 109,273 |
| International equities | 93,132 | - | 93,132 |
| Fixed income | | | |
| Government bonds | - | 554,503 | 554,503 |
| U.S. corporate bonds | - | 552,756 | 552,756 |
| U.S. treasury notes | - | 491,962 | 491,962 |
| Total gift annuity investments | <u>\$ 513,210</u> | <u>\$ 1,599,221</u> | <u>\$ 2,112,431</u> |

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010

NOTE 13 - FAIR VALUE MEASUREMENTS (CONTINUED)

Financial assets carried at fair value at September 30, 2010 are classified in the table as follows:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|--------------------------------|-------------------|---------------------|---------------------|
| Investments: | | | |
| Common stock | | | |
| Consumer goods | \$ 166,186 | \$ - | \$ 166,186 |
| Healthcare | 102,148 | - | 102,148 |
| Technology | 122,150 | - | 122,150 |
| Energy | 95,514 | - | 95,514 |
| Financial | 89,260 | - | 89,260 |
| Industrials | 93,030 | - | 93,030 |
| Other | 55,177 | - | 55,177 |
| Total Investments | <u>\$ 723,465</u> | <u>\$ -</u> | <u>\$ 723,465</u> |
| Gift annuity investments: | | | |
| Mutual funds | | | |
| Large cap equities | \$ 357,782 | \$ - | \$ 357,782 |
| Small and mid cap equities | 110,155 | - | 110,155 |
| International equities | 109,182 | - | 109,182 |
| Fixed income | | | |
| Government bonds | - | 610,783 | 610,783 |
| U.S. corporate bonds | - | 551,016 | 551,016 |
| U.S. treasury notes | <u>-</u> | <u>507,811</u> | <u>507,811</u> |
| Total gift annuity investments | <u>\$ 577,119</u> | <u>\$ 1,669,610</u> | <u>\$ 2,246,729</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 did not hold any Level 3 instruments as of September 30, 2011 and 2010.

NOTE 14 - 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 exceeded the Federal Deposit Insurance Corporation ("FDIC") insurance limits. In 2010, the FDIC insurance limit was permanently increased to \$250,000 and, beginning December 31, 2010 through December 31, 2012, deposits held in non-interest bearing accounts are fully insured, regardless of the amount in the account, at all FDIC-insured institutions.

As of September 30, 2011 and 2010, the Organization had cash accounts that exceeded the FDIC insurance limits by approximately \$969,000 and \$1,702,000, respectively.

**CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011 AND 2010**

NOTE 14 – CONCENTRATIONS (CONTINUED)

Donated Pharmaceuticals, Equipment and Supplies

One pharmaceutical company accounted for approximately 50% of the donated pharmaceuticals, equipment and supplies for the year ended September 30, 2011. Three pharmaceutical companies accounted for approximately 16%, 12%, and 11% of the donated pharmaceuticals, equipment and supplies for the year ended September 30, 2010.