



Financial Statements
(Together with Independent Auditors' Report)

For the Years Ended September 30, 2012 and 2011

CATHOLIC MEDICAL MISSION BOARD, INC.

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

FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

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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, 2012 and 2011, 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, 2012 and 2011, 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 22, 2013

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2012 AND 2011

	2012	2011
ASSETS		
Cash and cash equivalents (Notes 2D and 14)	\$ 1,831,694	\$ 1,463,162
Investments (Notes 2E, 3, 11 and 13)	1,156,862	736,723
Inventory (Note 2F)	64,404,588	52,689,029
Accrued interest and other receivables (Note 2H)	34,533	113,177
Contributions and pledges receivable (Note 4)	231,748	80,267
Government grants receivable (Note 2H)	796,837	1,148,014
Prepaid expenses	234,075	173,240
Property and equipment, net (Notes 2G, 5 and 12)	688,394	759,349
Gift annuity investments (Notes 2E, 2L, 6 and 13)	2,975,502	2,112,431
Other assets	-	127,966
Assets held in charitable remainder annuity trust (Note 10)	<u>817,067</u>	<u>801,688</u>
TOTAL ASSETS	<u>\$ 73,171,300</u>	<u>\$ 60,205,046</u>
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,693,025	\$ 2,115,398
Deferred revenue (Note 2I)	1,308,255	1,197,381
Gift annuity payable (Notes 2L and 6)	2,729,603	2,375,503
Charitable remainder annuity trust payable (Note 10)	312,560	317,384
Postretirement benefits (Note 8)	362,601	372,615
Other liabilities	<u>379,055</u>	<u>268,086</u>
TOTAL LIABILITIES	<u>7,785,099</u>	<u>6,646,367</u>
COMMITMENTS AND CONTINGENCIES (Notes 11 and 12)		
NET ASSETS (Note 2B)		
Unrestricted	62,921,635	51,358,217
Temporarily restricted (Note 9)	<u>2,464,566</u>	<u>2,200,462</u>
TOTAL NET ASSETS	<u>65,386,201</u>	<u>53,558,679</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 73,171,300</u>	<u>\$ 60,205,046</u>

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2012 AND 2011

	For the Year Ended September 30, 2012				For the Year Ended September 30, 2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011
OPERATING SUPPORT AND REVENUE								
Donated pharmaceuticals, equipment and supplies (Note 2C)	\$ 245,797,261	\$ -	\$ -	\$ 245,797,261	\$ 283,068,639	\$ -	\$ -	\$ 283,068,639
Donated services (Note 2C)	6,817,134	-	-	6,817,134	7,141,313	-	-	7,141,313
Grants and contributions (Note 2J)	19,579,713	2,601,285	-	22,180,998	17,652,717	1,934,257	-	19,586,974
Wills and legacies	2,010,651	-	-	2,010,651	2,256,762	-	-	2,256,762
Dividends and interest (Notes 2E, 3 and 6)	101,183	-	-	101,183	96,034	-	-	96,034
Net assets released from restrictions (Note 9)	2,337,181	(2,337,181)	-	-	2,920,834	(2,920,834)	-	-
TOTAL OPERATING SUPPORT AND REVENUE	276,643,123	264,104	-	276,907,227	313,136,299	(986,577)	-	312,149,722
OPERATING EXPENSES (Note 2M):								
Program Services (Note 1):								
Programs	14,762,606	-	-	14,762,606	13,437,426	-	-	13,437,426
Volunteers (Note 2C)	7,423,127	-	-	7,423,127	7,677,635	-	-	7,677,635
Healing Help (Note 2C)	235,223,030	-	-	235,223,030	236,223,821	-	-	236,223,821
Total Program Services	257,408,763	-	-	257,408,763	257,338,882	-	-	257,338,882
Supporting Services:								
Fundraising	4,015,460	-	-	4,015,460	4,025,427	-	-	4,025,427
Administration	4,539,477	-	-	4,539,477	3,671,920	-	-	3,671,920
Total Supporting Services	8,554,937	-	-	8,554,937	7,697,347	-	-	7,697,347
TOTAL OPERATING EXPENSES	265,963,700	-	-	265,963,700	265,036,229	-	-	265,036,229
Change in Net Assets from Operations	10,679,423	264,104	-	10,943,527	48,100,070	(986,577)	-	47,113,493
NONOPERATING ACTIVITIES								
Unrealized gain (loss) on investments and gift annuity investments (Notes 2E, 3 and 6)	132,248	-	-	132,248	(165,425)	-	-	(165,425)
Realized gain on sales of investments and gift annuity investments (Notes 2E, 3 and 6)	144,212	-	-	144,212	89,656	-	-	89,656
Change in valuation of gift annuity payable (Note 6)	440,623	-	-	440,623	56,870	-	-	56,870
Change in valuation of charitable remainder annuity trust payable (Note 10)	3,110	-	-	3,110	(1,198)	-	-	(1,198)
TOTAL NONOPERATING ACTIVITIES	720,193	-	-	720,193	(20,097)	-	-	(20,097)
Change in Net Assets before Post-retirement Related Change	11,399,616	264,104	-	11,663,720	48,079,973	(986,577)	-	47,093,396
Postretirement related change other than net periodic cost (Note 8)	163,802	-	-	163,802	107,140	-	-	107,140
CHANGE IN TOTAL NET ASSETS	11,563,418	264,104	-	11,827,522	48,187,113	(986,577)	-	47,200,536
Net assets - beginning of year	51,358,217	2,200,462	-	53,558,679	3,171,104	3,187,039	-	6,358,143
NET ASSETS - END OF YEAR	\$ 62,921,635	\$ 2,464,566	\$ -	\$ 65,386,201	\$ 51,358,217	\$ 2,200,462	\$ -	\$ 53,558,679

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, 2012
(With Comparative Totals for 2011)

	Programs	Volunteers	Healing Help	Total Program Services	Fundraising	Administration	Total Supporting Services	Total 2012	Total 2011
Salaries	\$ 3,752,258	\$ 177,724	\$ 355,463	\$ 4,285,445	\$ 889,859	\$ 1,294,207	\$ 2,184,066	\$ 6,469,511	\$ 6,260,375
Payroll taxes and fringe benefits (Notes 7 and 8)	963,621	71,298	105,855	1,140,774	229,209	446,476	675,685	1,816,459	1,877,051
Total Salaries and Related Costs	4,715,879	249,022	461,318	5,426,219	1,119,068	1,740,683	2,859,751	8,285,970	8,137,426
Temporary help	250,502	-	25,354	275,856	4,449	305,140	309,589	585,445	292,399
Postage and mailing	24,169	573	1,238	25,980	670,127	6,056	676,183	702,163	729,741
Rent and utilities	388,236	-	86,747	474,983	(125)	67,426	67,301	542,284	509,645
Telephone and communications	199,318	2,158	14,138	215,614	5,106	88,245	93,351	308,965	358,204
Supplies	1,101,454	1,848	56,366	1,159,668	5,357	136,025	141,382	1,301,050	1,360,633
Insurance	61,800	32,698	-	94,498	-	125,086	125,086	219,584	204,424
Maintenance	243,638	-	34,479	278,117	45	21,858	21,903	300,020	199,779
Professional services	495,756	209,509	91,174	796,439	1,003,863	703,089	1,706,952	2,503,391	2,069,978
Investment fees and bank charges	51,461	-	60	51,521	98,931	230,627	329,558	381,079	360,212
Foreign currency translation loss	38,793	-	-	38,793	-	40	40	38,833	174,822
Conventions, meetings and workshops	1,260,216	-	-	1,274,303	11,959	89,109	101,068	1,375,371	1,243,665
Travel	935,459	84,207	5,234	1,022,908	57,639	183,241	240,880	1,263,788	1,466,065
Fees and membership	54,970	2,517	3,242	60,051	9,097	21,927	31,024	100,075	98,610
Advertising and publicity	14,900	-	11,564	25,955	7,000	1,150	8,150	34,105	38,554
Printing	72,152	1,470	11,055	73,622	948,823	1,240	950,063	1,023,685	558,203
Shipping, freight and storage	5,942	-	215,945	221,887	276	680	956	222,843	281,171
Staff training	26,085	100	200	26,385	120	143,295	143,415	169,800	156,563
Service contracts	90,461	13,038	50,215	153,714	73,725	601,624	675,349	829,063	789,657
Total Before Other Expenses	10,031,191	605,993	1,068,329	11,705,513	4,015,460	4,466,541	8,482,001	20,187,514	19,029,751
Other Expenses:									
Medical assistance to missions (Note 2C)	4,724,872	-	234,126,691	238,851,563	-	-	-	238,851,563	238,754,547
Donated services (Note 2C)	-	6,817,134	-	6,817,134	-	-	-	6,817,134	7,141,313
Depreciation (Notes 2C and 5)	6,543	-	28,010	34,553	-	72,936	72,936	107,489	110,618
Total Other Expenses	4,731,415	6,817,134	234,154,701	245,703,250	-	72,936	72,936	245,776,186	246,006,478
Total Operating Expenses	\$14,762,606	\$ 7,423,127	\$ 235,223,030	\$ 257,408,763	\$ 4,015,460	\$ 4,539,477	\$ 8,554,937	\$ 265,963,700	\$ 265,036,229

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**

	Programs	Volunteers	Healing Help	Total Program Services	Fundraising	Administration	Total Supporting Services	Total 2011
Salaries	\$ 3,663,330	\$ 135,962	\$ 503,398	\$ 4,322,690	\$ 788,215	\$ 1,149,470	\$ 1,937,685	\$ 6,260,375
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
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
Temporary help	179,113	65	7,236	186,414	5,399	100,586	105,985	292,399
Postage and mailing	14,701	418	1,142	16,261	706,635	6,845	713,480	729,741
Rent and utilities	342,285	2,078	99,005	443,368	125	66,152	66,277	509,645
Telephone and communications	154,478	2,314	15,882	172,674	104,019	81,511	185,530	358,204
Supplies	1,260,398	2,595	14,224	1,277,217	11,420	71,996	83,416	1,360,633
Insurance	87,285	29,428	-	116,713	100	87,611	87,711	204,424
Maintenance	147,903	115	11,540	159,558	18	40,203	40,221	199,779
Professional services	402,300	209,629	22,065	633,994	1,205,714	230,270	1,435,984	2,069,978
Investment fees and bank charges	33,049	-	180	33,229	102,345	224,638	326,983	360,212
Foreign currency translation loss	174,822	-	-	174,822	-	-	-	174,822
Conventions, meetings and workshops	1,130,955	3,633	777	1,135,365	31,320	76,980	108,300	1,243,665
Travel	938,971	76,066	8,175	1,023,212	80,525	362,328	442,853	1,466,065
Fees and membership	41,521	1,657	11,395	54,573	19,613	24,424	44,037	98,610
Advertising and publicity	6,595	-	-	6,595	31,459	500	31,959	38,554
Printing	29,368	358	-	29,726	528,430	47	528,477	558,203
Shipping, freight and storage	67,316	-	183,754	251,070	30,101	-	30,101	281,171
Staff training	8,621	439	-	9,060	71,528	75,975	147,503	156,563
Service contracts	62,166	12,248	61,692	136,106	84,212	569,339	653,551	789,657
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
Other Expenses:								
Medical assistance to missions (Note 2C)	3,636,666	-	235,117,881	238,754,547	-	-	-	238,754,547
Donated services (Note 2C)	-	7,141,313	-	7,141,313	-	-	-	7,141,313
Depreciation (Notes 2G and 5)	6,543	-	28,239	34,782	-	75,836	75,836	110,618
Total Other Expenses	3,643,209	7,141,313	235,146,120	245,930,642	-	75,836	75,836	246,006,478
Total Operating Expenses	\$ 13,437,426	\$ 7,677,635	\$ 236,223,821	\$ 257,338,882	\$ 4,025,427	\$ 3,671,920	\$ 7,697,347	\$ 265,036,229

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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 11,827,522	\$ 47,200,536
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated stock	(211,788)	-
Depreciation	107,489	110,618
Increase in inventory	(11,715,559)	(48,183,309)
Postretirement related change other than periodic cost	(163,802)	(107,140)
Amortization of discount on property held in trust	(17,093)	(17,092)
Unrealized (gain) loss on investments and gift annuity investments	(132,248)	165,425
Realized gain on sale of investments and gift annuity investments	(144,212)	(89,656)
Change in valuation of gift annuity payable	(440,623)	(56,870)
Change in valuation of charitable remainder annuity trust payable	(3,110)	1,198
	<u>(893,424)</u>	<u>(976,290)</u>
Subtotal		
Changes in operating assets and liabilities:		
Decrease in accrued interest and other receivables	78,644	385,076
(Increase) decrease in contributions and pledges receivable	(151,481)	78,213
Decrease (increase) in government grants receivable	351,177	(758,987)
Increase in prepaid expenses	(60,835)	(51,165)
Increase in accounts payable and accrued expenses	577,627	231,909
Increase in deferred revenue	110,874	643,010
Increase in postretirement benefits	153,788	87,179
Change in other assets and liabilities	238,935	27,049
	<u>405,305</u>	<u>(334,006)</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(36,534)	(48,120)
Proceeds from sale of marketable securities and gift annuity investments	2,335,763	1,020,320
Purchases of marketable securities and gift annuity investments	(3,130,725)	(975,049)
	<u>(831,496)</u>	<u>(2,849)</u>
Net cash used in investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from gift annuities	913,397	132,366
Payment of gift annuity obligations	(118,674)	(162,064)
	<u>794,723</u>	<u>(29,698)</u>
Net cash provided by (used in) financing activities		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	368,532	(366,553)
Cash and cash equivalents at beginning of year	<u>1,463,162</u>	<u>1,829,715</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,831,694</u>	<u>\$ 1,463,162</u>

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

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

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, South 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. The Organization adheres to generally accepted accounting principles ("GAAP") in the United States.

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, 2012 and 2011.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Donated pharmaceuticals, equipment, supplies and services

In accordance with U.S GAAP, industry standards and guidelines established by Partnership for Quality Medical Donations ("PQMD") donated pharmaceuticals, equipment, supplies and services are recognized in the financial statements on the date received at its estimated fair market value. The Organization's management estimates the fair value of donated pharmaceuticals on the basis of wholesale acquisition cost listed in professional reference materials primarily, Thomson Reuters "Red Book" which is an industry recognized drug and pricing reference guide for the pharmaceutical industry in the United States. Wholesale acquisition cost is the approximate selling value of the pharmaceuticals in their principal exit market considering the condition and utility for use at the time the pharmaceuticals are donated. Fair value of donated equipment and supplies are estimated on the basis of prices listed in online reference materials and provided by manufacturers. The organization's policy is to distribute the donated pharmaceuticals, equipment and supplies as soon as they are available for use or distribution. However, if the donated pharmaceuticals, equipment and supplies are not distributed, they are kept on the books as inventory and not expensed until released from the organization's inventory. For the years ended September 30, 2012 and 2011, the Organization received donated pharmaceuticals, equipment and supplies of approximately \$245,800,000 and \$283,070,000 respectively.

The Organization periodically reviews its basis for determining the fair value of donated inventory. Effective October 1, 2011, the Organization changed its benchmark for determining the fair value of donated pharmaceuticals from the average wholesale price ("AWP") to the wholesale acquisition cost ("WAC"), as the Organization has determined the use of WAC to be a more appropriate estimate of the fair value of donated pharmaceuticals. If the previous basis for determining the fair value of donated pharmaceuticals had been continued, the amount of Inventory included in the statement of financial position as of September 30, 2012 would have been approximately \$278,270,000 and the amount of donated pharmaceuticals, equipment and supplies revenue and expense included in the statement of activities for the year ended September 30, 2012 would have been approximately \$996,204,000 and \$770,668,000, respectively. This change in estimate was not adjusted retrospectively.

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

	September 30,	
	2012	2011
	Days	Days
Licensed professionals	20,257	22,103

Donated services are recognized only, if such services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The total estimated fair market value of the licensed professionals donated services, determined using the rate published by the United States Bureau of Labor Statistics from the most recent year, for the years ended September 30, 2012 and 2011 was approximately \$6,817,000 and \$7,141,000, 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.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 wholesale acquisition cost which approximates fair value.(See note 2C).

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 cost of \$5,000 or more and a useful life greater than one year. Certain purchases of equipment are expensed by the Organization rather than capitalizing because the cost of these items was reimbursed by governmental funding sources where the contractual agreement specifies that title to these assets rests with the governmental funding source rather than the Organization.

H. Allowance for uncollectible accounts

The Organization evaluates the need for an allowance for uncollectible accounts based on a combination of factors such as management's assessment of the creditworthiness of its donors and funders, a review of individual accounts outstanding, aged basis of the receivables, current economic conditions and historical experience. No allowance for uncollectible accounts was considered necessary at September 30, 2012 and 2011.

I. Deferred revenue

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

J. Government grants

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

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.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Tax positions

The Organization has no uncertain tax positions as of September 30, 2012 and 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.

NOTE 3 - INVESTMENTS

Investments consist of the following at September 30, 2012 and 2011:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual funds	\$ 1,076,637	\$ 1,138,812	\$ -	\$ -
Other	16,275	18,050	-	-
Common stock	-	-	769,995	736,723
Total	<u>\$ 1,092,912</u>	<u>\$ 1,156,862</u>	<u>\$ 769,995</u>	<u>\$ 736,723</u>

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 3 – INVESTMENTS (Continued)

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, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Dividends and interest	\$ 26,802	\$ 21,477
Realized gain on sale of investments	62,841	82,245
Unrealized gain (loss) on investments	<u>106,624</u>	<u>(118,842)</u>
Total	\$ <u>196,267</u>	\$ <u>(15,120)</u>

For the years ended September 30, 2012 and 2011, investment fees amounted to approximately \$9,700 and \$13,700 respectively.

NOTE 4 - CONTRIBUTIONS AND PLEDGES RECEIVABLE

At September 30, 2012 and 2011, contributions and pledges receivable consist of:

	<u>2012</u>	<u>2011</u>
Various individual pledges	\$ 187,898	\$ 31,575
Grants	<u>43,850</u>	<u>48,692</u>
Total	\$ <u>231,748</u>	\$ <u>80,267</u>

All contributions and pledges receivable as of September 30, 2012 are expected to be collected during the year ended September 30, 2013.

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 57,000	\$ 57,000
Office building	345,173	345,173
Office building improvements	1,017,089	1,010,839
Office equipment	811,993	781,709
Vehicles	65,431	65,431
Warehouse	346,344	346,344
Warehouse improvements	557,182	557,182
Warehouse equipment	<u>293,904</u>	<u>293,904</u>
Total property and equipment	3,494,116	3,457,582
Less: accumulated depreciation	<u>(2,805,722)</u>	<u>(2,698,233)</u>
Total property and equipment, net	\$ <u>688,394</u>	\$ <u>759,349</u>

Depreciation expense amounted to \$107,489 and \$110,618 for the years ended September 30, 2012 and 2011, 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.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

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 \$292,100 and \$132,300 for the years ended September 30, 2012 and 2011, respectively.

The future minimum gift annuity payments are as follows for the years ended after September 30, 2012:

2013	\$	185,578
2014		173,432
2015		160,702
2016		148,423
2017		136,386
Thereafter		<u>1,925,082</u>
Total	\$	<u>2,729,603</u>

Gift annuity program investment return is included in the accompanying statements of activities for the years ended September 30, 2012 and 2011, and is summarized below:

	<u>2012</u>	<u>2011</u>
Dividends and interest	\$ 74,381	\$ 74,557
Realized gain on sale of gift annuity investments	81,371	7,411
Unrealized gain (loss) on gift annuity investments	<u>25,624</u>	<u>(46,583)</u>
Total	<u>\$ 181,376</u>	<u>\$ 35,385</u>

For the years ended September 30, 2012 and 2011, investment fees amounted to approximately \$34,800 and \$35,700, 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 \$0 and \$30,142 for the year ended September 30, 2012 and 2011, 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, 2012 and 2011, the Organization contributed \$407,741 and \$387,634 respectively, to the 401(k) Plan.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
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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, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Benefit obligation	\$ <u>(362,601)</u>	\$ <u>(372,615)</u>
Unfunded status	\$ <u>(362,601)</u>	\$ <u>(372,615)</u>
Discount rate	4.25%	5.0%
Net periodic cost	\$ (47,595)	\$ (56,727)
Benefits paid	947	2,206
Prior year other than net period cost	(107,140)	(32,658)
Current year other than net periodic cost	<u>163,802</u>	<u>107,140</u>
Change in unfunded status	\$ <u><u>10,014</u></u>	\$ <u><u>19,961</u></u>

For measurement purposes, a 5.25% and 6% annual rate of increase in the per capita cost of covered health care benefits was assumed in fiscal years 2012 and 2011, respectively.

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>2012</u>		<u>2011</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	\$ 20,800	\$ (13,507)	\$ 22,225	\$ (14,802)
Effect on postretirement benefit obligation	154,912	(102,990)	152,915	(104,082)

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 8 - POSTRETIREMENT BENEFITS (Continued)

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

September 30:

2013	\$	-
2014		-
2015		-
2016		-
2017		-
2018-2022		6,355

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at September 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Haiti grants (A)	\$ 1,128,604	\$ 1,120,036
Zbylut fund (B)	229,000	204,060
MVP restricted funds (C)	82,480	-
Healing Help (D)	95,471	-
Disaster Relief (E)	119,900	93,006
Consignee Training (F)	161,802	-
Reback Trust (G)	495,349	478,256
Other	<u>151,960</u>	<u>305,104</u>
	<u>\$ 2,464,566</u>	<u>\$ 2,200,462</u>

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

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

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

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

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

(F)To be used for training consignees in medical supply management.

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

Net assets of \$2,337,181 and \$2,920,834 were released from restrictions during the years ended September 30, 2012 and 2011, respectively, as a result of satisfying purpose restrictions.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

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, 2012 and 2011 was \$321,718 and \$323,432, respectively. For the years ended September 30, 2012 and 2011, actuarial calculations used to measure the Organization's related liability assumed a discount rate of 7.5% and used the 1983 Individual Annuity Mortality Table.

Future minimum CRAT annuity principal payments are as follows for the years ended after September 30, 2012:

2013	\$ 19,510
2014	21,060
2015	22,781
2016	24,706
2017	26,878
Thereafter	<u>197,625</u>
Total	\$ <u>312,560</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, 2012 and 2011, respectively, was \$495,349 and \$478,256.

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, 2012 and 2011, 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, 2012 and 2011. There were no borrowings outstanding as of March 22, 2013.

NOTE 12 - NOTE PAYABLE TO BANK

Pursuant to a September 15, 2012 revolving promissory note with a credit union, the Organization can borrow up to a maximum of \$1.5 million. This note replaced the June 24, 2009 revolving promissory note that expired on June 24, 2012. The Organization must pay interest on a monthly basis with the entire balance outstanding to be paid by September 15, 2015, the maturity date of the note. The note 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, 2012). There was no interest paid for the years ended September 30, 2012 and 2011. There were no borrowings as of September 30, 2012 and 2011 and \$500,000 was outstanding as of March 22, 2013.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
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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, 2012 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Mutual funds			
Real Estate	\$ 22,614	\$ -	\$ 22,614
International	75,896	-	75,896
Large Blend	120,412	-	120,412
Small Value	12,654	-	12,654
Small Growth	25,413	-	25,413
Large Value	218,791	-	218,791
Large Growth	263,970	-	263,970
Diversified	31,540	-	31,540
Fixed Income	367,522	-	367,522
Other	18,050	-	18,050
Total Investments	<u>\$ 1,156,862</u>	<u>\$ -</u>	<u>\$ 1,156,862</u>
Gift annuity investments:			
Mutual funds			
Large cap equities	450,626	-	450,626
Small and mid cap equities	225,228	-	225,228
International equities	303,535	-	303,535
Diversified	64,193	-	64,193
REIT	45,909	-	45,909
Fixed Income	354,358	-	354,358
Fixed income			
Government bonds	-	239,806	239,806
U.S. corporate bonds	-	838,529	838,529
U.S. treasury notes	<u>-</u>	<u>453,318</u>	<u>453,318</u>
Total gift annuity investments	<u>\$ 1,443,849</u>	<u>\$ 1,531,653</u>	<u>\$ 2,975,502</u>

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012 AND 2011

NOTE 13 - FAIR VALUE MEASUREMENTS (Continued)

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	\$ 310,085	\$ -	\$ 310,085
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	<u>-</u>	<u>491,962</u>	<u>491,962</u>
Total gift annuity investments	<u>\$ 513,210</u>	<u>\$ 1,599,221</u>	<u>\$ 2,112,431</u>

Investments in common stock and mutual funds are valued using real-time quotes or market prices in active markets (Level 1). 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, 2012 and 2011.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the end of the reporting period. For the years ended September 30, 2012 and 2011 there were no transfers out of levels 1, 2 or 3.

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 exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Interest bearing accounts are insured up to \$250,000 per depositor. Through December 31, 2012, noninterest bearing accounts are fully insured. Beginning in 2013, noninterest bearing accounts are insured the same as interest bearing accounts.

As of September 30, 2012 and 2011, there was approximately \$1,201,000 and \$969,000, respectively, of cash and cash equivalents that exceeded FDIC limits.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 – CONCENTRATIONS (Continued)

Donated Pharmaceuticals, Equipment and Supplies

Two pharmaceutical companies accounted for approximately 85% of the donated pharmaceuticals, equipment and supplies for the year ended September 30, 2012. One pharmaceutical company accounted for approximately 50% of the donated pharmaceuticals, equipment and supplies for the year ended September 30, 2011.

NOTE 15 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through March 22, 2013 the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through March 22, 2013 that would require adjustment to or disclosure in the financial statements.