



Financial Statements
(Together with Independent Auditors' Report)
Years Ended September 30, 2013 and 2012

CATHOLIC MEDICAL MISSION BOARD, INC.

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

YEARS ENDED SEPTEMBER 30, 2013 AND 2012

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 financial statements of Catholic Medical Mission Board Inc. (the "Organization") which comprise the statements of financial position as of September 30, 2013 and 2012, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Medical Mission Board Inc. as of September 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

New York, NY
December 17, 2013

Marks Paneth LLP



CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents (Notes 2D and 14)	\$ 2,304,409	\$ 1,831,694
Investments (Notes 2E, 3, 11 and 13)	1,092,793	1,156,862
Inventory (Note 2F)	107,922,178	64,404,588
Accrued interest and other receivables (Note 2H)	165,117	34,533
Contributions and pledges receivable (Notes 2H and 4)	15,137	231,748
Government grants receivable (Note 2H)	1,008,248	796,837
Prepaid expenses	236,192	234,075
Property and equipment, net (Notes 2G, 5 and 12)	589,824	688,394
Gift annuity investments (Notes 2E, 2L, 6 and 13)	3,113,162	2,975,502
Assets held in charitable remainder annuity trust (Note 10)	<u>806,987</u>	<u>817,067</u>
 TOTAL ASSETS	 <u>\$ 117,254,047</u>	 <u>\$ 73,171,300</u>
 LIABILITIES		
Accounts payable and accrued expenses	\$ 1,872,343	\$ 2,693,025
Deferred revenue (Note 2I)	481,441	1,308,255
Gift annuity payable (Notes 2L and 6)	2,631,683	2,729,603
Charitable remainder annuity trust payable (Note 10)	288,683	312,560
Postretirement benefits (Note 8)	174,714	362,601
Note payable (Note 12)	1,000,000	-
Other liabilities	<u>455,701</u>	<u>379,055</u>
 TOTAL LIABILITIES	 <u>6,904,565</u>	 <u>7,785,099</u>
 COMMITMENTS AND CONTINGENCIES (Notes 2J, 11, 12 and 14)		
 NET ASSETS (Note 2B)		
Unrestricted	107,263,837	62,921,635
Temporarily restricted (Note 9)	<u>3,085,645</u>	<u>2,464,566</u>
 TOTAL NET ASSETS	 <u>110,349,482</u>	 <u>65,386,201</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 117,254,047</u>	 <u>\$ 73,171,300</u>

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

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	For the Year Ended September 30, 2013				For the Year Ended September 30, 2012			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2013	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2012
OPERATING ACTIVITIES SUPPORT AND REVENUE								
Donated pharmaceuticals, equipment and supplies (Note 2C)	\$ 495,929,237	\$ -	\$ -	\$ 495,929,237	\$ 245,797,261	\$ -	\$ -	\$ 245,797,261
Donated services (Note 2C)	6,284,118	-	-	6,284,118	6,817,134	-	-	6,817,134
Grants and contributions (Note 2J)	23,499,740	2,760,567	-	26,260,307	19,579,713	2,601,285	-	22,180,998
Wills and legacies	828,925	-	-	828,925	2,010,651	-	-	2,010,651
Dividends and interest (Notes 2E, 3 and 6)	131,812	-	-	131,812	101,183	-	-	101,183
Net assets released from restrictions (Note 9)	2,139,488	(2,139,488)	-	-	2,337,181	(2,337,181)	-	-
TOTAL SUPPORT AND REVENUE	<u>528,813,320</u>	<u>621,079</u>	<u>-</u>	<u>529,434,399</u>	<u>276,643,123</u>	<u>264,104</u>	<u>-</u>	<u>276,907,227</u>
EXPENSES (Note 2M):								
Program Services (Note 1):								
Programs	16,858,230	-	-	16,858,230	14,762,606	-	-	14,762,606
Volunteers (Note 2C)	6,868,553	-	-	6,868,553	7,423,127	-	-	7,423,127
Healing Help (Note 2C)	453,463,282	-	-	453,463,282	235,223,030	-	-	235,223,030
Total Program Services	<u>477,190,065</u>	<u>-</u>	<u>-</u>	<u>477,190,065</u>	<u>257,408,763</u>	<u>-</u>	<u>-</u>	<u>257,408,763</u>
Supporting Services:								
Fundraising	3,654,357	-	-	3,654,357	4,015,460	-	-	4,015,460
Administration	4,244,881	-	-	4,244,881	4,539,477	-	-	4,539,477
Total Supporting Services	<u>7,899,238</u>	<u>-</u>	<u>-</u>	<u>7,899,238</u>	<u>8,554,937</u>	<u>-</u>	<u>-</u>	<u>8,554,937</u>
TOTAL EXPENSES	<u>485,089,303</u>	<u>-</u>	<u>-</u>	<u>485,089,303</u>	<u>265,963,700</u>	<u>-</u>	<u>-</u>	<u>265,963,700</u>
Change in Net Assets from Operations	<u>43,724,017</u>	<u>621,079</u>	<u>-</u>	<u>44,345,096</u>	<u>10,679,423</u>	<u>264,104</u>	<u>-</u>	<u>10,943,527</u>
NONOPERATING ACTIVITIES								
Unrealized gain on investments and gift annuity investments (Notes 2E, 3 and 6)	76,726	-	-	76,726	132,248	-	-	132,248
Realized gain on sales of investments and gift annuity investments (Notes 2E, 3 and 6)	140,155	-	-	140,155	144,212	-	-	144,212
Change in valuation of gift annuity payable (Note 6)	24,404	-	-	24,404	440,623	-	-	440,623
Change in valuation of charitable remainder annuity trust payable (Note 10)	(3,296)	-	-	(3,296)	3,110	-	-	3,110
TOTAL NONOPERATING ACTIVITIES	<u>237,989</u>	<u>-</u>	<u>-</u>	<u>237,989</u>	<u>720,193</u>	<u>-</u>	<u>-</u>	<u>720,193</u>
Change in Net Assets before Postretirement Related Change	<u>43,962,006</u>	<u>621,079</u>	<u>-</u>	<u>44,583,085</u>	<u>11,399,616</u>	<u>264,104</u>	<u>-</u>	<u>11,663,720</u>
Postretirement related change other than net periodic cost (Note 8)	380,196	-	-	380,196	163,802	-	-	163,802
CHANGE IN TOTAL NET ASSETS	<u>44,342,202</u>	<u>621,079</u>	<u>-</u>	<u>44,963,281</u>	<u>11,563,418</u>	<u>264,104</u>	<u>-</u>	<u>11,827,522</u>
Net assets - beginning of year	<u>62,921,635</u>	<u>2,464,566</u>	<u>-</u>	<u>65,386,201</u>	<u>51,358,217</u>	<u>2,200,462</u>	<u>-</u>	<u>53,558,679</u>
NET ASSETS - END OF YEAR	<u>\$ 107,263,837</u>	<u>\$ 3,085,645</u>	<u>\$ -</u>	<u>\$ 110,349,482</u>	<u>\$ 62,921,635</u>	<u>\$ 2,464,566</u>	<u>\$ -</u>	<u>\$ 65,386,201</u>

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013
(With Comparative Totals for 2012)

	<u>Programs</u>	<u>Volunteers</u>	<u>Healing Help</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total Supporting Services</u>	<u>Total 2013</u>	<u>Total 2012</u>
Salaries	\$ 4,256,923	\$ 177,748	\$ 443,152	\$ 4,877,823	\$ 807,050	\$ 1,704,331	\$ 2,511,381	\$ 7,389,204	\$ 6,469,511
Payroll taxes and fringe benefits (Notes 7 and 8)	<u>1,125,280</u>	<u>81,118</u>	<u>133,142</u>	<u>1,339,540</u>	<u>210,334</u>	<u>230,777</u>	<u>441,111</u>	<u>1,780,651</u>	<u>1,816,459</u>
Total Salaries and Related Costs	5,382,203	258,866	576,294	6,217,363	1,017,384	1,935,108	2,952,492	9,169,855	8,285,970
Temporary help	370,347	-	15,679	386,026	1,373	99,805	101,178	487,204	585,445
Postage and mailing	10,583	525	1,128	12,236	759,967	8,794	768,761	780,997	702,163
Rent and utilities	361,773	13,589	100,101	475,463	-	85,070	85,070	560,533	542,284
Telephone and communications	216,750	866	15,752	233,368	5,045	89,480	94,525	327,893	308,965
Supplies	679,798	1,750	33,610	715,158	2,722	66,668	69,390	784,548	1,301,050
Insurance	60,022	24,360	-	84,382	-	137,502	137,502	221,884	219,584
Maintenance	512,819	-	20,854	533,673	-	14,153	14,153	547,826	300,020
Professional services	558,440	201,364	39,600	799,404	897,564	535,239	1,432,803	2,232,207	2,503,391
Investment fees and bank charges	70,841	39	8	70,888	106,338	215,794	322,132	393,020	381,079
Foreign currency translation loss	32,162	-	-	32,162	57	64	121	32,283	38,833
Conventions, meetings and workshops	1,115,262	2,030	4,515	1,121,807	11,412	53,945	65,357	1,187,164	1,375,371
Travel	711,197	46,289	5,221	762,707	30,138	176,086	206,224	968,931	1,263,788
Fees and membership	27,901	3,908	18,203	50,012	12,262	25,976	38,238	88,250	100,075
Advertising and publicity	12,381	-	-	12,381	10,729	-	10,729	23,110	34,105
Printing	52,171	-	108	52,279	783,479	654	784,133	836,412	1,023,685
Shipping, freight and storage	1,362	-	149,967	151,329	95	26	121	151,450	222,843
Staff training	42,338	-	-	42,338	6,388	78,132	84,520	126,858	169,800
Service contracts	<u>152,291</u>	<u>30,849</u>	<u>33,881</u>	<u>217,021</u>	<u>9,404</u>	<u>658,368</u>	<u>667,772</u>	<u>884,793</u>	<u>829,063</u>
Total Before Other Expenses	<u>10,370,641</u>	<u>584,435</u>	<u>1,014,921</u>	<u>11,969,997</u>	<u>3,654,357</u>	<u>4,180,864</u>	<u>7,835,221</u>	<u>19,805,218</u>	<u>20,187,514</u>
Other Expenses:									
Medical assistance to missions (Note 2C)	6,481,046	-	452,420,351	458,901,397	-	-	-	458,901,397	238,851,563
Donated services (Note 2C)	-	6,284,118	-	6,284,118	-	-	-	6,284,118	6,817,134
Depreciation (Notes 2G and 5)	<u>6,543</u>	<u>-</u>	<u>28,010</u>	<u>34,553</u>	<u>-</u>	<u>64,017</u>	<u>64,017</u>	<u>98,570</u>	<u>107,489</u>
Total Other Expenses	<u>6,487,589</u>	<u>6,284,118</u>	<u>452,448,361</u>	<u>465,220,068</u>	<u>-</u>	<u>64,017</u>	<u>64,017</u>	<u>465,284,085</u>	<u>245,776,186</u>
Total Operating Expenses	<u>\$ 16,858,230</u>	<u>\$ 6,868,553</u>	<u>\$ 453,463,282</u>	<u>\$ 477,190,065</u>	<u>\$ 3,654,357</u>	<u>\$ 4,244,881</u>	<u>\$ 7,899,238</u>	<u>\$ 485,089,303</u>	<u>\$ 265,963,700</u>

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**

	<u>Programs</u>	<u>Volunteers</u>	<u>Healing Help</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total Supporting Services</u>	<u>Total 2012</u>
Salaries	\$ 3,752,258	\$ 177,724	\$ 355,463	\$ 4,285,445	\$ 889,859	\$ 1,294,207	\$ 2,184,066	\$ 6,469,511
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
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
Temporary help	250,502	-	25,354	275,856	4,449	305,140	309,589	585,445
Postage and mailing	24,169	573	1,238	25,980	670,127	6,056	676,183	702,163
Rent and utilities	388,236	-	86,747	474,983	(125)	67,426	67,301	542,284
Telephone and communications	199,318	2,158	14,138	215,614	5,106	88,245	93,351	308,965
Supplies	1,101,454	1,848	56,366	1,159,668	5,357	136,025	141,382	1,301,050
Insurance	61,800	32,698	-	94,498	-	125,086	125,086	219,584
Maintenance	243,638	-	34,479	278,117	45	21,858	21,903	300,020
Professional services	495,756	209,509	91,174	796,439	1,003,863	703,089	1,706,952	2,503,391
Investment fees and bank charges	51,461	-	60	51,521	98,931	230,627	329,558	381,079
Foreign currency translation loss	38,793	-	-	38,793	-	40	40	38,833
Conventions, meetings and workshops	1,260,216	8,853	5,234	1,274,303	11,959	89,109	101,068	1,375,371
Travel	935,459	84,207	3,242	1,022,908	57,639	183,241	240,880	1,263,788
Fees and membership	54,970	2,517	11,564	69,051	9,097	21,927	31,024	100,075
Advertising and publicity	14,900	-	11,055	25,955	7,000	1,150	8,150	34,105
Printing	72,152	1,470	-	73,622	948,823	1,240	950,063	1,023,685
Shipping, freight and storage	5,942	-	215,945	221,887	276	680	956	222,843
Staff training	26,085	100	200	26,385	120	143,295	143,415	169,800
Service contracts	90,461	13,038	50,215	153,714	73,725	601,624	675,349	829,063
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
Other Expenses:								
Medical assistance to missions (Note 2C)	4,724,872	-	234,126,691	238,851,563	-	-	-	238,851,563
Donated services (Note 2C)	-	6,817,134	-	6,817,134	-	-	-	6,817,134
Depreciation (Notes 2G and 5)	6,543	-	28,010	34,553	-	72,936	72,936	107,489
Total Other Expenses	4,731,415	6,817,134	234,154,701	245,703,250	-	72,936	72,936	245,776,186
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

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, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 44,963,281	\$ 11,827,522
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	98,570	107,489
Increase in inventory	(43,517,590)	(11,715,559)
Postretirement related change other than periodic cost	(380,196)	(163,802)
Amortization of discount on property held in trust	(17,093)	(17,093)
Unrealized gain on investments and gift annuity investments	(76,726)	(132,248)
Realized gain on sale of investments and gift annuity investments	(140,155)	(144,212)
Change in valuation of gift annuity payable	(24,404)	(440,623)
Change in valuation of charitable remainder annuity trust payable	3,296	(3,110)
Subtotal	908,983	(681,636)
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest and other receivables	(130,584)	78,644
Decrease (increase) in contributions and pledges receivable	216,611	(151,481)
(Increase) Decrease in government grants receivable	(211,411)	351,177
(Increase) in prepaid expenses	(2,117)	(60,835)
(Decrease) increase in accounts payable and accrued expenses	(820,682)	577,627
(Decrease) increase in deferred revenue	(826,814)	110,874
Increase in postretirement benefits	192,309	153,788
Increase in other liabilities	76,646	238,935
Net cash (used in) provided by operating activities	<u>(597,059)</u>	<u>617,093</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(36,534)
Proceeds from sale of marketable securities and gift annuity investments	3,242,542	2,335,763
Purchases of marketable securities and gift annuity investments	(3,099,252)	(3,342,513)
Net cash provided by (used in) investing activities	<u>143,290</u>	<u>(1,043,284)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	1,000,000	-
Proceeds from gift annuities	65,655	913,397
Payment of gift annuity obligations	(139,171)	(118,674)
Net cash provided by financing activities	<u>926,484</u>	<u>794,723</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	472,715	368,532
Cash and cash equivalents at beginning of year	1,831,694	1,463,162
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,304,409</u>	<u>\$ 1,831,694</u>
Supplemental Disclosure of Cash Flow Information:		
Cash Paid For Interest	<u>\$ 12,468</u>	<u>\$ -</u>

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

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

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 and Zambia.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of accounting

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

B. Basis of presentation

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

Unrestricted is support which can be used for any legal purpose.

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, 2013 and 2012.

**CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

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 the wholesale acquisition costs listed in professional reference materials primarily, Thomson Reuters “Red Book” which is an industry recognized drug and pricing reference guide for the pharmaceutical industry in the United States. The wholesale acquisition cost is the approximate selling value of the pharmaceuticals in their principal exit market considering the condition and utility for use at the time the pharmaceuticals are donated. The fair value of donated equipment and supplies is estimated on the basis of prices listed in online reference materials and provided by manufacturers. CMMB’s policy is to distribute the donated pharmaceuticals, equipment and supplies as soon as they are available for use or distribution. However, if the donated pharmaceuticals, equipment and supplies are not distributed, they are reflected as inventory and not expensed until released from the CMMB’s inventory. For the years ended September 30, 2013 and 2012, the Organization received donated pharmaceuticals, equipment and supplies of approximately \$495,900,000 and \$245,800,000, respectively.

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

	September 30,	
	2013	2012
	Days	Days
Licensed professionals	18,123	20,257

Donated services are recognized only if such services enhance or create nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased, if not provided by donation. The total estimated fair market value of the licensed professionals donated services, determined using the rates published by the United States Bureau of Labor Statistics from the most recent year, for the years ended September 30, 2013 and 2012 was approximately \$6,290,000 and \$6,817,000, respectively, which was recorded in the accompanying statements of activities, as these services meet the aforementioned criteria.

D. Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with 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 statements of activities as increases or decreases in unrestricted net assets.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

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

G. Property and Equipment

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

H. Allowance for uncollectible accounts

The Organization evaluates the need for an allowance for uncollectible accounts based on a combination of factors such as management's assessment of the creditworthiness of its donors and funders, a review of individual accounts outstanding, aged basis of the receivables, current economic conditions and historical experience. No allowance for uncollectible accounts was considered necessary at September 30, 2013 and 2012.

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

K. Use of estimates

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

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.

**CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Reclassification

Certain line items in the 2012 financial statements have been reclassified to conform to the 2013 financial statement presentation.

NOTE 3 – INVESTMENTS

Investments consist of the following at September 30, 2013 and 2012:

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual funds	\$ 990,653	\$ 1,092,793	\$ 1,076,637	\$ 1,138,812
Other	-	-	<u>16,275</u>	<u>18,050</u>
Total	<u>\$ 990,653</u>	<u>\$ 1,092,793</u>	<u>\$ 1,092,912</u>	<u>\$ 1,156,862</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, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Dividends and interest	\$ 28,535	\$ 26,802
Realized gain on sale of investments	46,910	62,841
Unrealized gain on investments	<u>37,828</u>	<u>106,624</u>
Total	<u>\$ 113,273</u>	<u>\$ 196,267</u>

For the years ended September 30, 2013 and 2012, investment fees amounted to approximately \$11,400 and \$9,700, respectively.

For the years ended September 30, 2013 and 2012, there was interest of \$613 and \$0 respectively, earned on a savings account.

**CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 4 – CONTRIBUTIONS AND PLEDGES RECEIVABLE

At September 30, 2013 and 2012, contributions and pledges receivable consist of:

	2013	2012
Various individual pledges	\$ 15,137	\$ 187,898
Grants	-	43,850
Total	\$ 15,137	\$ 231,748

All contributions and pledges receivable as of September 30, 2013 are expected to be collected during the year ending September 30, 2014.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2013 and 2012:

	2013	2012
Land	\$ 57,000	\$ 57,000
Office building	345,173	345,173
Office building improvements	1,017,089	1,017,089
Office equipment	811,993	811,993
Vehicles	65,431	65,431
Warehouse	346,344	346,344
Warehouse improvements	557,182	557,182
Warehouse equipment	293,904	293,904
Total property and equipment	3,494,116	3,494,116
Less: accumulated depreciation	(2,904,292)	(2,805,722)
Total property and equipment, net	\$ 589,824	\$ 688,394

Depreciation expense amounted to \$98,570 and \$107,489 for the years ended September 30, 2013 and 2012, respectively.

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 \$57,345 and \$292,100 for the years ended September 30, 2013 and 2012, respectively.

Gift annuity program investment return is included in the accompanying statements of activities for the years ended September 30, 2013 and 2012, and is summarized below:

	2013	2012
Dividends and interest	\$ 102,664	\$ 74,381
Realized gain on sale of gift annuity investments	93,245	81,371
Unrealized gain on gift annuity investments	38,898	25,624
Total	\$ 234,807	\$ 181,376

For the years ended September 30, 2013 and 2012, investment fees amounted to approximately \$35,000 and \$34,800, respectively.

**CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 7 – RETIREMENT PLAN

The Organization sponsors a savings plan under Section 401(k) of the Internal Revenue Code called the Catholic Medical Mission Board, Inc. 401(k) Savings Plan (the “401(k) Plan”). The 401(k) Plan allows eligible employees to contribute up to 20% of their compensation on a pre-tax basis, subject to an annual limitation per employee. The Organization contributes up to one-half of the first 6% of annual eligible compensation of employees participating. The Organization also has the option of making a discretionary contribution to the 401(k) Plan. For the years ended September 30, 2013 and 2012, the Organization contributed \$357,797 and \$407,741 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, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Benefit obligation	\$ <u>(174,714)</u>	\$ <u>(362,601)</u>
Unfunded status	\$ <u>(174,714)</u>	\$ <u>(362,601)</u>
Discount rate	5.30%	4.25%
Net periodic cost	\$ (28,507)	\$ (47,595)
Benefits paid	-	947
Prior year other than net periodic cost	(163,802)	(107,140)
Current year other than net periodic cost	<u>380,196</u>	<u>163,802</u>
Change in unfunded status	\$ <u>187,887</u>	\$ <u>10,014</u>

For measurement purposes, a 5.25% annual rate of increase in the per capita cost of covered health care benefits was assumed for both fiscal years 2013 and 2012.

**CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 8 – POSTRETIREMENT BENEFITS (Continued)

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>2013</u>		<u>2012</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	\$ 12,494	\$ (8,187)	\$ 20,800	\$ (13,507)
Effect on postretirement benefit obligation	71,242	(48,022)	154,912	(102,990)

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

September 30:

2014	\$ -
2015	-
2016	-
2017	-
2018	-
2019-2023	2,590

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at September 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Haiti grants (A)	\$ 1,697,577	\$ 1,128,604
Zbylut fund (B)	254,000	229,000
MVP restricted funds (C)	48,489	82,480
Healing Help (D)	177,530	95,471
Disaster Relief (E)	75,633	119,900
Consignee Training (F)	33,749	161,802
Reback Trust (G)	512,442	495,349
Safe Motherhood (H)	172,048	-
Other	114,177	151,960
	<u>\$ 3,085,645</u>	<u>\$ 2,464,566</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).
- (H) To be used to reduce maternal and neonatal mortality in South Sudan.

Net assets of \$2,139,488 and \$2,337,181 were released from restrictions during the years September 30, 2013 and 2012, respectively, as a result of satisfying purpose restrictions.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

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, 2013 and 2012 was \$294,545 and \$321,718, respectively. For the years ended September 30, 2013 and 2012, 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.

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, 2013 and 2012, respectively, was \$512,442 and \$495,349.

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, 2013 and 2012, the Organization had no amounts 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, 2013 and 2012. There were no borrowings outstanding as of December 17, 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, New York, NY. Interest is calculated at prime plus 1.00% (effective rate of 4.25% at September 30, 2013). Interest expense for the years ended September 30, 2013 and 2012 amounted to \$25,324 and \$0, respectively. Borrowings outstanding as of September 30, 2013 and 2012 amounted to \$1,000,000 and \$0, respectively. The balance outstanding as of December 17, 2013 amounted to \$500,000.

**CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 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, 2013 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Mutual funds			
Real Estate	\$ 54,324	\$ -	\$ 54,324
International	77,917	-	77,917
Large Blend	82,399	-	82,399
Small Value	6,412	-	6,412
Small Growth	19,347	-	19,347
Large Value	211,536	-	211,536
Large Growth	280,260	-	280,260
Fixed Income	<u>360,598</u>	-	<u>360,598</u>
Total Investments	<u>\$ 1,092,793</u>	<u>\$ -</u>	<u>\$ 1,092,793</u>
Gift annuity investments:			
Mutual funds			
Large Cap Equities	564,682	-	564,682
Small and Mid Cap Equities	257,608	-	257,608
International Equities	229,065	-	229,065
Diversified	506,634	-	506,634
REIT	91,283	-	91,283
Fixed Income	584,588	-	584,588
Fixed income			
U.S. Corporate Bonds	<u>-</u>	<u>879,302</u>	<u>879,302</u>
Total gift annuity investments	<u>\$ 2,233,860</u>	<u>\$ 879,302</u>	<u>\$ 3,113,162</u>

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

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	-	453,318	453,318
Total gift annuity investments	<u>\$ 1,443,849</u>	<u>\$ 1,531,653</u>	<u>\$ 2,975,502</u>

Investments in 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, 2013 and 2012.

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, 2013 and 2012 there were no transfers out of levels 1, 2 or 3.

NOTE 14 – CONTINGENCIES

The Organization has no uncertain tax positions as of September 30, 2013 and 2012 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, 2010.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012

NOTE 15 – 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 were fully insured. Beginning in 2013, noninterest bearing accounts are insured the same as interest bearing accounts.

As of September 30, 2013 and 2012, there was approximately \$2,077,000 and \$1,201,000, respectively, of cash and cash equivalents that exceeded FDIC limits.

Donated Pharmaceuticals, Equipment and Supplies

Three pharmaceutical companies accounted for approximately 81% of the donated pharmaceuticals, equipment and supplies for the year ended September 30, 2013. Two pharmaceutical companies accounted for approximately 85% of the donated pharmaceuticals, equipment and supplies for the year ended September 30, 2013.

NOTE 16 – SUBSEQUENT EVENTS

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through December 17, 2013 the date the financial statements were available to be issued. Subsequent to year end, the Organization offered its real property at 10 West 17th Street for sale, subject to the necessary regulatory approvals and satisfying Board imposed restrictions. No other events have occurred subsequent to the statement of financial position date through December 17, 2013 that would require adjustment to or disclosure in the financial statements.