CMMB CATHOLIC MEDICAL MISSION BOARD

A FAITH-BASED LEADER IN GLOBAL HEALTHCARE

Financial Statements
(Together with Independent Auditors' Report)

Years Ended September 30, 2014 and 2013

MARKS PANETH

ACCOUNTANTS & ADVISORS

CATHOLIC MEDICAL MISSION BOARD, INC.

FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)

YEARS ENDED SEPTEMBER 30, 2014 AND 2013

CONTENTS

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MARKS PANETH
ACCOUNTANTS & ADVISORS

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, 2014 and 2013, 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, 2014 and 2013, 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.

Marks Paneth LLP

New York, NY
December 10, 2014

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2014 AND 2013

	2014	2013
ASSETS		
Cash and cash equivalents (Notes 2D and 14)	$ 3,040,598	$ 2,304,409
Investments (Notes 2E, 3, 11 and 13)	1,173,520	1,092,793
Inventory (Note 2F)	99,301,972	107,922,178
Accrued interest and other receivables (Note 2H)	313,145	165,117
Contributions and pledges receivable (Notes 2H and 4)	81,330	15,137
Government grants receivable (Note 2H)	939,100	1,008,248
Prepaid expenses	110,712	236,192
Property and equipment, net (Notes 2G, 5 and 12)	492,996	589,824
Gift annuity investments (Notes 2E, 2L, 6 and 13)	3,692,711	3,113,162
Assets held in charitable remainder annuity trust (Note 10)	798,380	806,987
TOTAL ASSETS	$ 109,944,464	$ 117,254,047
LIABILITIES		
Accounts payable and accrued expenses	$ 1,731,081	$ 1,872,343
Deferred revenue (Note 2I)	235,204	481,441
Gift annuity payable (Notes 2L and 6)	2,871,481	2,631,683
Charitable remainder annuity trust payable (Note 10)	263,455	288,683
Postretirement benefits (Note 8)	252,933	174,714
Note payable (Note 12)	483,169	1,000,000
Other liabilities	90,735	455,701
TOTAL LIABILITIES	5,928,058	6,904,565
COMMITMENTS AND CONTINGENCIES (Notes 2J, 11, 12 and 14)		
NET ASSETS (Note 2B)		
Unrestricted	99,824,781	107,263,837
Temporarily restricted (Note 9)	4,191,625	3,085,645
TOTAL NET ASSETS	104,016,406	110,349,482
TOTAL LIABILITIES AND NET ASSETS	$ 109,944,464	$ 117,254,047

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

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	For the Year Ended September 30, 2014			For the Year Ended September 30, 2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING ACTIVITIES						
Support and Revenue						
Donated pharmaceuticals, equipment and supplies (Note 2C)	$ 357,997,427	$ -	$ 357,997,427	$ 495,929,237	$ -	$ 495,929,237
Donated services (Note 2C)	5,566,440	-	5,566,440	6,284,118	-	6,284,118
Grants and contributions (Note 2J)	19,250,999	3,120,007	22,371,006	23,499,740	2,760,567	26,260,307
Wills and legacies	1,055,379	150,000	1,205,379	828,925	-	828,925
Dividends and interest (Notes 2E, 3 and 6)	131,546	-	131,546	131,812	-	131,812
Net assets released from restrictions (Note 9)	2,164,027	(2,164,027)	-	2,139,488	(2,139,488)	-
TOTAL SUPPORT AND REVENUE	386,165,818	1,105,980	387,271,798	528,813,320	621,079	529,434,399
EXPENSES (Note 2M):						
Program Services (Note 1):						
Programs	12,741,297	-	12,741,297	16,858,230	-	16,858,230
Volunteers (Note 2C)	5,896,263	-	5,896,263	6,868,553	-	6,868,553
Healing Help (Note 2C)	367,895,493	-	367,895,493	453,463,282	-	453,463,282
Total Program Services	386,533,053	-	386,533,053	477,190,065	-	477,190,065
Supporting Services:						
Fundraising	4,598,972	-	4,598,972	3,654,357	-	3,654,357
Administration	4,516,517	-	4,516,517	4,244,881	-	4,244,881
Total Supporting Services	9,115,489	-	9,115,489	7,899,238	-	7,899,238
TOTAL EXPENSES	395,648,542	-	395,648,542	485,089,303	-	485,089,303
Change in Net Assets from Operations	(9,482,724)	1,105,980	(8,376,744)	43,724,017	621,079	44,345,096
NONOPERATING ACTIVITIES						
Unrealized gain on investments and gift annuity investments (Notes 2E, 3 and 6)	178,211	-	178,211	76,726	-	76,726
Realized gain on sales of investments and gift annuity investments (Notes 2E, 3 and 6)	40,422	-	40,422	140,155	-	140,155
Change in valuation of gift annuity payable (Note 6)	805	-	805	24,404	-	24,404
Change in valuation of charitable remainder annuity trust payable (Note 10)	(472)		(472)	(3,296)	-	(3,296)
Non refundable real estate deposit (Note 5)	1,500,000	-	1,500,000	-	-	-
TOTAL NONOPERATING ACTIVITIES	1,718,966	-	1,718,966	237,989	-	237,989
Change in Net Assets before Postretirement Related Change	(7,763,758)	1,105,980	(6,657,778)	43,962,006	621,079	44,583,085
Postretirement related change other than net periodic cost (Note 8)	324,702	-	324,702	380,196	-	380,196
CHANGE IN TOTAL NET ASSETS	(7,439,056)	1,105,980	(6,333,076)	44,342,202	621,079	44,963,281
Net assets - beginning of year	107,263,837	3,085,645	110,349,482	62,921,635	2,464,566	65,386,201
NET ASSETS - END OF YEAR	$ 99,824,781	$ 4,191,625	$ 104,016,406	$ 107,263,837	$ 3,085,645	$ 110,349,482

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

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(With Comparative Totals for 2013)

	Programs	Volunteers	Healing Help	Total Program Services	Fundraising	Administration	Total Supporting Services	Total 2014	Total 2013
Salaries	$ 3,830,313	$ 44,387	$ 618,177	$ 4,492,877	$ 1,037,515	$ 2,182,970	$ 3,220,485	$ 7,713,362	$ 7,389,204
Payroll taxes and fringe benefits (Notes 7 and	916,622	14,668	185,462	1,116,752	268,113	615,724	883,837	2,000,589	1,780,651
Total Salaries and Related Costs	4,746,935	59,055	803,639	5,609,629	1,305,628	2,798,694	4,104,322	9,713,951	9,169,855
Temporary help	173,106	-	6,825	179,931	2,718	21,326	24,044	203,975	487,204
Postage and mailing	6,294	-	582	6,876	908,758	3,121	911,879	918,755	780,997
Rent and utilities	370,697	3,187	98,115	471,999	-	76,946	76,946	548,945	560,533
Telephone and communications	202,762	192	19,902	222,856	1,859	88,399	90,258	313,114	327,893
Supplies	781,825	2,984	41,841	826,650	5,431	71,638	77,069	903,719	784,548
Insurance	82,192	22,632	-	104,824	-	162,524	162,524	267,348	221,884
Maintenance	396,744	83	14,403	411,230	-	16,917	16,917	428,147	547,826
Professional services	189,241	153,916	-	343,157	1,419,254	355,804	1,775,058	2,118,215	2,232,207
Investment fees and bank charges	77,618	-	-	77,618	86,191	265,487	351,678	429,296	393,020
Foreign currency translation loss	76,032	-	-	76,032	-	84	84	76,116	32,283
Conventions, meetings and workshops	991,470	598	5,286	997,354	21,972	55,066	77,038	1,074,392	1,187,164
Travel	674,907	43,990	6,956	725,853	29,837	131,874	161,711	887,564	968,931
Fees and membership	19,829	879	26,978	47,686	18,656	13,860	32,516	80,202	88,250
Advertising and publicity	4,871	46	217	5,134	15,809	20	15,829	20,963	23,110
Printing	5,013	-	-	5,013	769,275	378	769,653	774,666	836,412
Shipping, freight and storage	9,133	-	97,904	107,037	1,900	154	2,054	109,091	151,450
Staff training	33,305	-	-	33,305	175	101,949	102,124	135,429	126,858
Service contracts	138,953	6,261	45,969	191,183	11,509	290,001	301,510	492,693	884,793
Total Before Other Expenses	8,980,927	293,823	1,168,617	10,443,367	4,598,972	4,454,242	9,053,214	19,496,581	19,805,218
Other Expenses:									
Medical assistance to missions (Note 2C)	3,753,827	36,000	332,492,823	336,282,650	-	-	-	336,282,650	458,901,397
Donated services (Note 2C)	-	5,566,440	-	5,566,440	-	-	-	5,566,440	6,284,118
Inventory obsolescence (Note 2C)	-	-	34,206,043	34,206,043	-	-	-	34,206,043	-
Depreciation (Notes 2G and 5)	6,543	-	28,010	34,553	-	62,275	62,275	96,828	98,570
Total Other Expenses	3,760,370	5,602,440	366,726,876	376,089,686	-	62,275	62,275	376,151,961	465,284,085
Total Operating Expenses	$12,741,297	$5,896,263	$ 367,895,493	$ 386,533,053	$ 4,598,972	$ 4,516,517	$ 9,115,489	$ 395,648,542	$ 485,089,303

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

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

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

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (6,333,076)	$ 44,963,281
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	96,828	98,570
Decrease (Increase) in inventory (net of inventory obsolescence)	8,620,206	(43,517,590)
Postretirement related change other than periodic cost	(324,702)	(380,196)
Amortization of discount on property held in trust	(17,093)	(17,093)
Unrealized gain on investments and gift annuity investments	(178,211)	(76,726)
Realized gain on sale of investments and gift annuity investments	(40,422)	(140,155)
Change in valuation of gift annuity payable	(805)	(24,404)
Change in valuation of charitable remainder annuity trust payable	472	3,296
Non refundable real estate deposit	(1,500,000)	-
Subtotal	323,197	908,983
Changes in operating assets and liabilities:		
(Increase) in accrued interest and other receivables	(148,028)	(130,584)
(Increase) decrease in contributions and pledges receivable	(66,193)	216,611
Decrease (increase) in government grants receivable	69,148	(211,411)
Decrease (increase) in prepaid expenses	125,480	(2,117)
(Decrease) in accounts payable and accrued expenses	(141,262)	(820,682)
(Decrease) in deferred revenue	(246,237)	(826,814)
Increase in postretirement benefits	402,921	192,309
(Decrease) increase in other liabilities	(364,966)	76,646
Net cash (used in) operating activities	(45,940)	(597,059)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities and gift annuity investment	1,190,239	3,242,542
Purchases of marketable securities and gift annuity investments	(1,631,882)	(3,099,252)
Non refundable real estate deposit	1,500,000	-
Net cash provided by investing activities	1,058,357	143,290
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	(1,016,831)	-
Proceeds from note payable	500,000	1,000,000
Proceeds from gift annuities	383,142	65,655
Payment of gift annuity obligations	(142,539)	(139,171)
Net cash (used in) provided by financing activities	(276,228)	926,484
NET INCREASE IN CASH AND CASH EQUIVALENTS	736,189	472,715
Cash and cash equivalents at beginning of year	2,304,409	1,831,694
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 3,040,598	$ 2,304,409
Supplemental Disclosure of Cash Flow Information:		
Cash Paid For Interest	$ 23,018	$ 25,324

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

NOTE 1 – ORGANIZATION

The Catholic Medical Mission Board, Inc. (the "Organization" or "CMMB") was incorporated in New York in 1928 as a nonprofit corporation. CMMB delivers quality healthcare services and medicines to people in need throughout the world. The Organization builds sustainable healthcare programs that target leading causes of illness, suffering and death. The Organization strives to strengthen local capabilities through its programs. The healthcare programs provided include integrated management of childhood illness, primary healthcare and HIV and AIDS prevention, treatment of HIV-infected individuals, voluntary counseling and testing, improving access to medical services, training nurses and doctors in prevention, care and counseling.

The Organization ships medicines and supplies to local care providers in resource-poor countries. These medicines are dispensed and distributed free of charge. CMMB places doctors, nurses and other volunteers in locations where their professional expertise is urgently needed. The Organization also provides disaster relief to regions hit by natural or political catastrophes.

The Organization operates throughout the world and maintains offices in New York, Haiti, 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, 2014 and 2013.

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 CMMB's inventory. For the years ended September 30, 2014 and 2013, the Organization received donated pharmaceuticals, equipment and supplies of approximately $358,000,000 and $495,900,000, respectively. For the year ended September 30, 2014, the Organization had obsolescence of inventory for approximately $34,200,000 due to the expiration of products prior to distribution.

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

	September 30,	
	2014 Days	2013 Days
Licensed professionals	16,622	18,123

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, 2014 and 2013 was approximately $5,566,000 and $6,284,000, 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.

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).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2014 and 2013.

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.

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.

NOTE 3 – INVESTMENTS

Investments consist of the following at September 30, 2014 and 2013:

	2014		2013	
	Cost	Fair Value	Cost	Fair Value
Mutual funds	$ 1,011,724	$ 1,173,520	$ 990,653	$ 1,092,793
Total	$ 1,011,724	$ 1,173,520	$ 990,653	$ 1,092,793

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, 2014 and 2013 is as follows:

	2014	2013
Dividends and interest	$ 27,222	$ 28,535
Realized gain on sale of investments	30,265	46,910
Unrealized gain on investments	59,656	37,828
Total	$ 117,143	$ 113,273

For the years ended September 30, 2014 and 2013, investment fees amounted to approximately $11,800 and $11,400, respectively.

For the years ended September 30, 2014 and 2013, there was interest of $650 and $613 respectively, earned on a savings account.

NOTE 4 – CONTRIBUTIONS AND PLEDGES RECEIVABLE

At September 30, 2014 and 2013, contributions and pledges receivable consist of:

	2014	2013
Various individual pledges	$ 32,695	$ 15,137
Grants	48,635	-
Total	$ 81,330	$ 15,137

NOTE 4 – CONTRIBUTIONS AND PLEDGES RECEIVABLE (Continued)

All contributions and pledges receivable as of September 30, 2014, are expected to be collected during the year ending September 30, 2015.

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2014 and 2013:

	2014	2013
Land	$ 57,000	$ 57,000
Office building	-	345,173
Office building improvements	-	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	2,131,854	3,494,116
Less: accumulated depreciation	(1,933,312)	(2,904,292)
Total property and equipment, net	$ 198,542	589,824

Depreciation expense amounted to $96,828 and $98,570 for the years ended September 30, 2014 and 2013, respectively.

Held for sale consists of the following at September 30, 2014:

Office building	345,173
Office building improvements	1,017,089
Total held for sale	1,362,262
Less: accumulated depreciation	(1,067,808)
Total held for sale, net	$ 294,454

During fiscal year 2014, the Organization entered into a contract to sell its real property at 10 West 17th Street. The Organization received a non-refundable deposit on the sale of its property in the amount of $1,500,000. The sale is expected to be completed during fiscal year 2015.

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 $334,665 and $57,345 for the years ended September 30, 2014 and 2013, respectively.

Gift annuity program investment return is included in the accompanying statements of activities for the years ended September 30, 2014 and 2013, and is summarized below:

	2014	2013
Dividends and interest	$ 104,324	$ 102,664
Realized gain on sale of gift annuity investments	10,157	93,245
Unrealized gain on gift annuity investments	118,555	38,898
Total	$ 233,036	$ 234,807

NOTE 6 – GIFT ANNUITY PROGRAM (Continued)

For the years ended September 30, 2014 and 2013, investment fees amounted to approximately $40,000 and $35,000, respectively.

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, 2014 and 2013, the Organization contributed $368,835 and $357,797 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, 2014 and 2013 are as follows:

	2014	2013
Benefit obligation	$ (252,933)	$ (174,714)
Unfunded status	$ (252,933)	$ (174,714)
Discount rate	4.60%	5.30%
Net periodic cost	$ (22,725)	$ (28,507)
Prior year other than net periodic cost	(380,196)	(163,802)
Current year other than net periodic cost	324,702	380,196
Change in unfunded status	$ (78,219)	$ 187,887

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 2014 and 2013.

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:

	2014		2013	
	1-Percentage-Point Increase	1-Percentage-Point Decrease	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest cost components	$ 21,218	$ (13,895)	$ 12,494	$ (8,187)
Effect on postretirement benefit obligation	109,802	(74,096)	71,242	(48,022)

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

September 30:	
2015	$ -
2016	-
2017	-
2018	-
2019	25
2020-2023	991

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

The temporarily restricted net assets at September 30, 2014 and 2013 consist of the following:

	2014	2013
Haiti grants (A)	$ 2,286,425	$ 1,697,577
Zbylut fund (B)	279,000	254,000
MVP restricted funds (C)	72,157	48,489
Healing Help (D)	436,001	177,530
Disaster Relief (E)	237,596	75,633
Consignee Training (F)	-	33,749
Reback Trust (G)	529,535	512,442
Safe Motherhood (H)	262,449	172,048
Other	88,462	114,177
	$ 4,191,625	$ 3,085,645

(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 $2,164,027 and $2,139,488 were released from restrictions during the years September 30, 2014 and 2013, 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, 2014 and 2013 was $268,845 and $294,545, respectively. For the years ended September 30, 2014 and 2013, 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, 2014 and 2013, respectively, was $529,535 and $512,442.

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, 2014 and 2013, 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, 2014 and 2013. There were no borrowings outstanding as of December 10, 2014.

NOTE 12 – NOTE PAYABLE TO BANK

Pursuant to a September 15, 2013, 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, 2013. 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, 2014 and 2013). Interest expense for the years ended September 30, 2014 and 2013 amounted to $23,018 and $25,324, respectively. Borrowings outstanding as of September 30, 2014 and 2013 amounted to $483,169 and $1,000,000, respectively. The balance outstanding as of December 10, 2014, amounted to $480,354.

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, 2014 are classified in the table as follows:

	Level 1	Level 2	Total
Investments:			
Mutual funds			
Real Estate	$ 56,521	$ -	$ 56,521
International	104,811	-	104,811
Large Blend	96,136	-	96,136
Small Value	12,901	-	12,901
Small Growth	19,510	-	19,510
Large Value	252,594	-	252,594
Large Growth	252,641	-	252,641
Fixed Income	378,406	-	378,406
Total Investments	$ 1,173,520	$ -	$ 1,173,520
Gift annuity investments:			
Mutual funds			
Large Cap Equities	791,429	-	791,429
Small and Mid Cap Equities	223,434	-	223,434
International Equities	1,010,482	-	1,010,482
Diversified	37,188	-	37,188
REIT	217,882	-	217,882
Fixed Income	563,514	-	563,514
Fixed income			
U.S. Corporate Bonds	-	848,782	848,782
Total gift annuity investments	$ 2,843,929	$ 848,782	$ 3,692,711

NOTE 13 – FAIR VALUE MEASUREMENTS (Continued)

Financial assets carried at fair value at September 30, 2013 are classified in the table as follows:

	Level 1	Level 2	Total
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	360,598	-	360,598
Total Investments	$ 1,092,793	$ -	$ 1,092,793
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	-	879,302	879,302
Total gift annuity investments	$ 2,233,860	$ 879,302	$ 3,113,162

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, 2014 and 2013.

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, 2014 and 2013 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, 2014 and 2013 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, 2011.

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. Beginning in 2013, noninterest bearing accounts are insured the same as interest bearing accounts.

As of September 30, 2014 and 2013, there was approximately $1,778,000 and $2,077,000, respectively, of cash and cash equivalents that exceeded FDIC limits.

Donated Pharmaceuticals, Equipment and Supplies

Three pharmaceutical companies accounted for approximately 89% of the donated pharmaceuticals, equipment and supplies for the year ended September 30, 2014. Three pharmaceutical companies accounted for approximately 81% 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 10, 2014, the date the financial statements were available to be issued. Other than what was discussed in Note 5, no other events have occurred subsequent to the statement of financial position date through December 10, 2014 that would require adjustment to or disclosure in the financial statements.