



Financial Statements
(Together with Independent Auditors' Report)
Years Ended September 30, 2021 and 2020

CATHOLIC MEDICAL MISSION BOARD, INC.
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED SEPTEMBER 30, 2021 AND 2020

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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, 2021 and 2020, 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 from 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, 2021 and 2020, 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 17, 2021

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENTS OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents (Notes 2C and 15A)	\$ 6,031,145	\$ 9,196,778
Investments (Notes 2D and 4)	29,928,145	23,357,226
Inventory (Notes 2E and 2F)	92,740,516	36,124,654
Accrued interest and other receivables (Note 2H)	353,608	394,150
Contributions and pledges receivable (Notes 2H and 5)	986,241	1,760,583
Government grants receivable, net (Note 2H)	693,114	966,560
Prepaid expenses	267,668	305,728
Beneficial interest in charitable lead annuity trust (Note 6)	3,417,406	3,902,679
Gift annuity investments (Notes 2D, 2M, 4 and 9)	4,684,564	3,939,178
Assets held in charitable remainder annuity trust (Note 13)	4,624	5,790
Property and equipment, net (Notes 2G, 7 and 14)	178,610	286,374
TOTAL ASSETS	\$ 139,285,641	\$ 80,239,700
LIABILITIES		
Accounts payable and accrued expenses	\$ 2,482,428	\$ 4,267,544
Deferred revenue (Note 2I)	774,596	674,767
Deferred rent (Notes 2J and 14)	126,581	200,473
Refundable advances (Note 8)	69,400	4,141,980
Gift annuity payable (Notes 2M and 9)	1,794,527	1,818,491
Charitable remainder annuity trust payable (Note 13)	4,554	5,703
TOTAL LIABILITIES	5,252,086	11,108,958
COMMITMENTS AND CONTINGENCIES (Notes 2K and 14)		
NET ASSETS (Note 2B)		
Without donor restrictions (Note 12)	126,286,233	61,032,133
With donor restrictions (Note 11)	7,747,322	8,098,609
TOTAL NET ASSETS	134,033,555	69,130,742
TOTAL LIABILITIES AND NET ASSETS	\$ 139,285,641	\$ 80,239,700

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, 2021 AND 2020

	For the Year Ended September 30, 2021			For the Year Ended September 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING ACTIVITIES						
Support and Revenue						
Donated pharmaceuticals, equipment and supplies (Notes 2F and 15)	\$ 369,772,802	\$ -	\$ 369,772,802	\$ 436,830,700	\$ -	\$ 436,830,700
Donated services (Note 2F)	771,556	-	771,556	2,551,073	-	2,551,073
Grants and contributions (Note 2K)	33,853,482	7,898,986	41,752,468	27,818,989	5,859,153	33,678,142
Wills and legacies	4,077,730	-	4,077,730	2,736,509	-	2,736,509
Dividends and interest (Notes 2D, 4 and 9)	15,311	-	15,311	22,981	-	22,981
Net assets released from restrictions (Note 11)	8,250,273	(8,250,273)	-	6,230,705	(6,230,705)	-
TOTAL SUPPORT AND REVENUE	416,741,154	(351,287)	416,389,867	476,190,957	(371,552)	475,819,405
EXPENSES (Note 2N):						
Program Services (Note 1):						
Programs	29,357,850	-	29,357,850	23,723,601	-	23,723,601
Volunteers (Note 2F)	1,041,414	-	1,041,414	3,023,776	-	3,023,776
Medical donations program (Note 2F)	315,224,377	-	315,224,377	429,178,971	-	429,178,971
Total Program Services	345,623,641	-	345,623,641	455,926,348	-	455,926,348
Supporting Services:						
Fundraising	6,492,160	-	6,492,160	6,169,021	-	6,169,021
Administration	4,575,827	-	4,575,827	4,584,312	-	4,584,312
Total Supporting Services	11,067,987	-	11,067,987	10,753,333	-	10,753,333
TOTAL EXPENSES	356,691,628	-	356,691,628	466,679,681	-	466,679,681
Change in Net Assets from Operations	60,049,526	(351,287)	59,698,239	9,511,276	(371,552)	9,139,724
NONOPERATING ACTIVITIES						
Unrealized gain on investments and gift annuity investments (Notes 2D, 4 and 9)	5,070,167	-	5,070,167	736,337	-	736,337
Realized gain on sales of investments and gift annuity investments (Notes 2D, 4 and 9)	148,078	-	148,078	27,496	-	27,496
Change in valuation of gift annuity payable (Note 9)	(23,409)	-	(23,409)	(7,693)	-	(7,693)
Change in valuation of charitable remainder annuity trust payable (Note 13)	(17)	-	(17)	(117)	-	(117)
Foreign currency gain (loss)	9,755	-	9,755	(182,717)	-	(182,717)
TOTAL NONOPERATING ACTIVITIES	5,204,574	-	5,204,574	573,306	-	573,306
CHANGE IN TOTAL NET ASSETS (Note 16)	65,254,100	(351,287)	64,902,813	10,084,582	(371,552)	9,713,030
Net assets - beginning of year	61,032,133	8,098,609	69,130,742	50,947,551	8,470,161	59,417,712
NET ASSETS - END OF YEAR	\$ 126,286,233	\$ 7,747,322	\$ 134,033,555	\$ 61,032,133	\$ 8,098,609	\$ 69,130,742

CATHOLIC MEDICAL MISSION BOARD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2021
(With Comparative Totals for 2020)

	Year Ended September 30, 2021								
	Programs	Volunteers	Medical	Total Program			Total	Total 2021	Total 2020
			Donations Program	Services	Fundraising	Administration	Supporting Services		
Salaries	\$ 8,827,776	\$ 155,690	\$ 794,920	\$ 9,778,386	\$ 1,095,410	\$ 2,328,734	\$ 3,424,144	\$ 13,202,530	\$ 13,769,354
Payroll taxes and fringe benefits (Note 10)	2,203,202	45,331	252,123	2,500,656	313,540	701,769	1,015,309	3,515,965	3,383,251
Total Salaries and Related Costs	11,030,978	201,021	1,047,043	12,279,042	1,408,950	3,030,503	4,439,453	16,718,495	17,152,605
Temporary help	189,636	-	-	189,636	-	34,720	34,720	224,356	416,054
Postage and mailing	722	-	380	1,102	1,690,507	1,633	1,692,140	1,693,242	1,126,870
Rent and utilities (Note 14)	792,684	21,079	122,967	936,730	115,262	121,055	236,317	1,173,047	1,037,926
Telephone and communications	338,934	2,375	23,958	365,267	13,021	27,673	40,694	405,961	333,236
Supplies	5,759,043	12,500	38,795	5,810,338	9,550	72,737	82,287	5,892,625	4,018,129
Insurance	149,272	19,204	86,692	255,168	89,739	179,460	269,199	524,367	421,142
Maintenance	723,121	-	2,826	725,947	-	20,291	20,291	746,238	448,873
Professional services	408,724	4,200	78,822	491,746	1,393,261	442,689	1,835,950	2,327,696	2,605,046
Bank charges	45,631	-	50	45,681	129,790	108,621	238,411	284,092	300,210
Conventions, meetings and workshops	3,704,663	84	4,826	3,709,573	1,653	18,142	19,795	3,729,368	2,269,213
Travel	596,437	4,030	170	600,637	1,960	-	1,960	602,597	708,793
Fees and membership	24,358	1,339	79,961	105,658	14,600	65,199	79,799	185,457	153,589
Advertising and publicity	265,630	-	93	265,723	454,361	52,152	506,513	772,236	489,153
Printing	61,361	-	318	61,679	1,090,516	31,267	1,121,783	1,183,462	1,053,335
Shipping, freight and storage	32,859	-	237,925	270,784	-	-	-	270,784	401,920
Staff training	4,743	125	20	4,888	75	5,768	5,843	10,731	74,053
Service contracts	426,637	3,901	126,830	557,368	10,630	321,589	332,219	889,587	836,375
Miscellaneous	23,686	-	41,593	65,279	1,386	5,569	6,955	72,234	17,019
Total Before Other Expenses	24,579,119	269,858	1,893,269	26,742,246	6,425,261	4,539,068	10,964,329	37,706,575	33,863,541
Other Expenses:									
Medical assistance to missions (Note 2F)	4,778,475	-	300,421,614	305,200,089	-	-	-	305,200,089	424,456,880
Donated services (Note 2F)	-	771,556	-	771,556	-	-	-	771,556	2,551,073
Inventory obsolescence (Note 2E)	-	-	12,905,644	12,905,644	-	-	-	12,905,644	5,719,798
Depreciation (Notes 2G and 7)	256	-	3,850	4,106	66,899	36,759	103,658	107,764	88,389
Total Other Expenses	4,778,731	771,556	313,331,108	318,881,395	66,899	36,759	103,658	318,985,053	432,816,140
Total Operating Expenses	\$ 29,357,850	\$ 1,041,414	\$ 315,224,377	\$ 345,623,641	\$ 6,492,160	\$ 4,575,827	\$ 11,067,987	\$ 356,691,628	\$ 466,679,681

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, 2020**

	<u>Programs</u>	<u>Volunteers</u>	<u>Medical Donations Program</u>	<u>Total Program Services</u>	<u>Fundraising</u>	<u>Administration</u>	<u>Total Supporting Services</u>	<u>Total 2020</u>
Salaries	\$ 9,220,712	\$ 188,410	\$ 806,327	\$ 10,215,449	\$ 1,221,287	\$ 2,332,618	\$ 3,553,905	\$ 13,769,354
Payroll taxes and fringe benefits (Note 10)	2,105,456	58,923	252,756	2,417,135	309,844	656,272	966,116	3,383,251
Total Salaries and Related Costs	11,326,168	247,333	1,059,083	12,632,584	1,531,131	2,988,890	4,520,021	17,152,605
Temporary help	284,854	-	-	284,854	-	131,200	131,200	416,054
Postage and mailing	3,052	-	152	3,204	1,116,132	7,534	1,123,666	1,126,870
Rent and utilities (Note 14)	663,898	27,524	99,280	790,702	116,285	130,939	247,224	1,037,926
Telephone and communications	264,883	3,154	26,217	294,254	13,186	25,796	38,982	333,236
Supplies	3,710,977	27,647	152,475	3,891,099	7,145	119,885	127,030	4,018,129
Insurance	97,225	21,857	72,479	191,561	75,726	153,855	229,581	421,142
Maintenance	433,769	-	7,596	441,365	28	7,480	7,508	448,873
Professional services	271,912	35,881	111,577	419,370	1,824,900	360,776	2,185,676	2,605,046
Bank charges	88,408	-	21	88,429	99,971	111,810	211,781	300,210
Conventions, meetings and workshops	2,217,216	9,239	2,456	2,228,911	2,088	38,214	40,302	2,269,213
Travel	572,064	90,099	13,372	675,535	5,424	27,834	33,258	708,793
Fees and membership	24,786	1,488	41,643	67,917	42,815	42,857	85,672	153,589
Advertising and publicity	170,087	-	-	170,087	315,333	3,733	319,066	489,153
Printing	52,987	-	74	53,061	961,642	38,632	1,000,274	1,053,335
Shipping, freight and storage	193,728	3,487	204,705	401,920	-	-	-	401,920
Staff training	6,246	2,043	99	8,388	204	65,461	65,665	74,053
Service contracts	495,944	2,951	38,344	537,239	10,830	288,306	299,136	836,375
Miscellaneous	11,995	-	800	12,795	2,005	2,219	4,224	17,019
Total Before Other Expenses	20,890,199	472,703	1,830,373	23,193,275	6,124,845	4,545,421	10,670,266	33,863,541
Other Expenses:								
Medical assistance to missions (Note 2F)	2,833,402	-	421,623,478	424,456,880	-	-	-	424,456,880
Donated services (Note 2F)	-	2,551,073	-	2,551,073	-	-	-	2,551,073
Inventory obsolescence (Note 2E)	-	-	5,719,798	5,719,798	-	-	-	5,719,798
Depreciation (Notes 2G and 7)	-	-	5,322	5,322	44,176	38,891	83,067	88,389
Total Other Expenses	2,833,402	2,551,073	427,348,598	432,733,073	44,176	38,891	83,067	432,816,140
Total Operating Expenses	\$ 23,723,601	\$ 3,023,776	\$ 429,178,971	\$ 455,926,348	\$ 6,169,021	\$ 4,584,312	\$ 10,753,333	\$ 466,679,681

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, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 64,902,813	\$ 9,713,030
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	107,764	88,389
Increase in inventory (net of inventory obsolescence)	(56,615,862)	(9,629,965)
Realized gain on sale of investments and gift annuity investments	(148,078)	(27,496)
Unrealized gain on investments and gift annuity investments	(5,245,070)	(821,972)
Increase (decrease) in discount of charitable lead annuity trust	(62,252)	(62,251)
Change in valuation of gift annuity payable	23,409	7,693
Change in valuation of charitable remainder annuity trust payable	17	117
Deferred rent	(73,892)	(53,930)
Subtotal	2,888,849	(786,385)
Changes in operating assets and liabilities:		
(Increase) decrease in accrued interest and other receivables	40,542	(67,475)
(Increase) decrease in contributions and pledges receivable	774,342	(588,998)
Decrease in government grants receivable	273,446	559,609
Decrease (increase) in prepaid expenses	38,060	(40,121)
Decrease in beneficial interest in charitable lead annuity trust	547,525	547,525
(Decrease) increase in accounts payable and accrued expenses	(1,785,116)	1,053,201
(Decrease) increase in refundable advances	(4,072,580)	4,141,980
Increase (decrease) in deferred revenue	99,829	(869,829)
Net cash (used in) provided by operating activities	(1,195,103)	3,949,507
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities and gift annuity investments	48,056	49,616
Purchases of marketable securities and gift annuity investments	(1,971,213)	-
Purchases of property and equipment	-	(68,167)
Net cash used in investing activities	(1,923,157)	(18,551)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payment of gift annuity obligations	(47,373)	(17,983)
Net cash used in financing activities	(47,373)	(17,983)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(3,165,633)	3,912,973
Cash and cash equivalents at beginning of year	9,196,778	5,283,805
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 6,031,145	\$ 9,196,778

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

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

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 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 (“U.S. GAAP”).
- B. *Basis of presentation*** – The Organization classifies its support depending upon the absence or existence of donor-imposed restrictions or stipulations:
- Without donor restrictions – This is support which can be used for any legal purpose, over which the Board of Directors has discretionary control.
 - With donor restrictions – This represents net assets subject to 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from donor restrictions.
- C. *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.
- D. *Investments*** – Investments in marketable securities and gift annuity investments are stated at fair market value as discussed further at Note 20. Unrealized and realized gains and losses and investment income are reported in the statements of activities as increases or decreases in net assets without donor restrictions.
- E. *Inventory*** – Purchased inventory is stated at the lower of cost or net realizable value, and donated inventory is generally stated at wholesale acquisition cost which approximates fair value as discussed further at Note 2F.

**CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 their 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 values of donated equipment and supplies are 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, 2021 and 2020, the Organization received donated pharmaceuticals, equipment and supplies of approximately \$370,000,000 and \$437,000,000, respectively. For the years ended September 30, 2021 and 2020, the Organization had obsolescence of inventory of approximately \$12,900,000 and \$5,700,000, respectively, due to the expiration of products prior to distribution.

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

	September 30,	
	2021	2020
	Days	Days
Licensed professionals	2,044	5,018

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, 2021 and 2020 was approximately \$772,000 and \$2,600,000, respectively, which was recorded in the accompanying statements of activities, as these services meet the aforementioned criteria.

- 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 fifty 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 capitalized because the cost of these items was reimbursed by governmental funding sources where the contractual agreement specifies that title to these assets rest 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. An allowance of \$87,231 and \$185,998 for uncollectible accounts was considered necessary at September 30, 2021 and 2020, respectively.
- I. Deferred revenue** – Deferred revenue represents funding received in advance of program services being provided by the Organization.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- J. *Deferred rent*** – The Organization leases real property under an operating lease. Since the rent payments increase over time, the Organization records an adjustment to rent expense to reflect its straight-lining policy. Straight-lining of rent gives rise to a timing difference that is reflected in the accompanying statements of financial position. As of September 30, 2021 and 2020, such deferral amounted to \$126,581 and \$200,473, respectively.
- K. *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. Government grants are accounted under ASU 2018-08. Multi-year governmental contracts included under government grants are renewable by the Organization annually at the discretion of the funder and as such no future funding under the government grants for the year ending September 30, 2022 have been disclosed.
- L. *Use of estimates*** – In preparing the 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.
- M. *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 or other beneficiaries. 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.
- N. *Functional allocation of expenses*** – The cost of providing the various program and supporting services has been summarized on a functional basis in the statements of functional expenses. Accordingly, expenses that are not directly charged to a specific program, grant, or supporting service are allocated among programs and supporting services. The expenses that are allocated include occupancy, telephone, insurance, payroll taxes, and benefits, which are allocated on the basis of headcount.
- O. *Fair value measurements of financial instruments*** – 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 4.
- P. *Investment spending policy*** – The Organization’s Board has authorized a policy to invest in accordance with sound investment practices that emphasize long-term investment fundamentals. The objective of this is to maximize long-term returns consistent with prudent levels of risk. Investment returns earned are expected to provide adequate funds to sufficiently support designated needs and preserve or enhance the real value of the investments. In establishing the investment objectives, the Organization has taken into account the time horizon available for the investment, the nature of the investment, and other factors that affect the Organization’s risk tolerance. Accordingly, the investment objective is a balanced approach that emphasizes a stable, moderate level of appreciation over the long-term, net of investment costs and spending. Investments are expected to meet or exceed the return of the policy benchmark over a market cycle, expected to be a three to five-year time period. In 2014, the Organization’s Board designated the investments as a Board designated fund. For the initial five years, the earnings are to be reinvested in the fund. After the initial five-year period, beginning in 2019, earnings used for operations are calculated annually at 4% of the rolling fair market value of the fund over a three-year period. The board designated fund activities are further described in Note 12.

**CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Recent Accounting Pronouncements – FASB Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) was adopted by the Organization as of October 1, 2020. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. The effects of applying ASU 2014-09 had no impact on the way the Organization was recognizing revenue and therefore, no adjustment was made to the financial statements as previously reported.

NOTE 3 – LIQUIDITY AND AVAILABILITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Organization has various sources of liquidity at its disposal, including cash and cash equivalents, accounts receivable and a board designated fund.

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following table shows the total financial assets held by the Organization and the amounts of those financial assets that could readily be made available within one year of the statements of financial position date to meet general expenditures as of September 30:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 6,031,145	\$ 9,196,778
Accrued interest and other receivables	353,608	394,150
Contributions and pledges receivable due within one year	986,241	1,760,583
Beneficial interest in charitable lead annuity trust due within one year	547,525	547,525
Government grants receivable, net	693,114	966,560
Investments, net of board designated funds	5,118,264	3,097,076
Net assets with donor restrictions	<u>(7,628,777)</u>	<u>(8,042,326)</u>
	<u>\$ 6,101,120</u>	<u>\$ 7,920,346</u>

The Organization also has Board Designated funds of approximately \$24.8 and \$20.3 million as of September 30, 2021 and 2020, respectively. The Board has the ability to release these funds upon its discretion as needed.

NOTE 4 – INVESTMENTS AND 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 below:

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.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

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, 2021 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Treasury Bills	\$ 7,053,339	\$ -	\$ 7,053,339
Mutual Funds			
Growth Funds	-	9,104,172	9,104,172
Inflation Funds	-	2,692,145	2,692,145
Deflation Funds	<u>-</u>	<u>2,333,748</u>	<u>2,333,748</u>
Subtotal	<u>\$ 7,053,339</u>	<u>\$ 14,130,065</u>	21,183,404
Alternative investments valued at net asset value per share practical expedient			<u>8,744,741</u>
Total Assets Carried at Fair Value			<u>\$ 29,928,145</u>

Gift annuity investments:

Mutual funds			
Large Cap Equities	\$ 1,721,072	\$ -	\$ 1,721,072
International Equities	1,025,689	-	1,025,689
Diversified	95,600	-	95,600
Fixed Income	1,425,534	-	1,425,534
REIT	78,230	-	78,230
Fixed income			
U.S. Corporate Bonds	<u>-</u>	<u>338,439</u>	<u>338,439</u>
Total gift annuity investments	<u>\$ 4,346,125</u>	<u>\$ 338,439</u>	<u>\$ 4,684,564</u>

Financial assets carried at fair value at September 30, 2020 are classified in the table as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Investments:			
Treasury Bills	\$ 3,512,597	\$ -	\$ 3,512,597
Mutual Funds			
Growth Funds	-	6,269,325	6,269,325
Inflation Funds	-	1,904,331	1,904,331
Deflation Funds	<u>-</u>	<u>5,019,041</u>	<u>5,019,041</u>
Subtotal	<u>\$ 3,512,597</u>	<u>\$ 13,192,697</u>	16,705,294
Alternative investments valued at net asset value per share practical expedient			<u>6,651,932</u>
Total Assets Carried at Fair Value			<u>\$ 23,357,226</u>

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

Gift annuity investments:

Mutual funds

Large Cap Equities	\$ 1,278,224	\$ -	\$ 1,278,224
International Equities	722,930	-	722,930
Diversified	171,128	-	171,128
Fixed Income	1,320,133	-	1,320,133

Fixed income

U.S. Corporate Bonds	<u>-</u>	<u>446,763</u>	<u>446,763</u>
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Total gift annuity investments	<u>\$ 3,492,415</u>	<u>\$ 446,763</u>	<u>\$ 3,939,178</u>
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Investments in treasury bills and mutual funds are valued using real-time quotes or market prices for similar funds in active markets (Levels 1 and 2). Growth Funds, Inflation Funds, Deflation Funds and Corporate Bonds 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 holds Level 2 instruments and alternative investments valued at net asset value per share with Ascension Investments as of September 30, 2021 and 2020. There are no redemption restrictions or unfunded commitments on the investments.

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, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 271	\$ 456
Realized gain (loss) on sale of investments	76	(2,100)
Unrealized gain on investments	4,570,919	623,252
Less: Investment fees	<u>(50,000)</u>	<u>(50,000)</u>
Total	<u>\$ 4,521,266</u>	<u>\$ 571,608</u>

For each of the years ended September 30, 2021 and 2020, investment fees amounted to \$50,000.

NOTE 5 – CONTRIBUTIONS AND PLEDGES RECEIVABLE

At September 30, 2021 and 2020, contributions and pledges receivable consist of:

	<u>2021</u>	<u>2020</u>
Various individual pledges	\$ 348,378	\$ 406,714
Contributions	<u>637,863</u>	<u>1,353,869</u>
Total	<u>\$ 986,241</u>	<u>\$ 1,760,583</u>

All contributions and pledges receivable as of September 30, 2021, are expected to be collected during the year ending September 30, 2022.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 6 – BENEFICIAL INTEREST IN CHARITABLE LEAD ANNUITY TRUST

During the year ended September 30, 2019, the Organization was named a beneficiary in a charitable lead annuity trust totaling approximately \$5,500,000, to be paid over 10 years. The Organization determined the discount factor of 2.7%, which represents a risk adjusted market rate on U.S. Treasury securities. The amounts expected to be collected are restricted due to time only and can be used for general operations and are due as follows as of September 30:

	<u>2021</u>	<u>2020</u>
Amount due in less than one year	\$ 547,525	\$ 547,525
Amount due from one to five years	2,737,625	2,737,625
Thereafter	<u>616,337</u>	<u>1,163,862</u>
	3,901,487	4,449,012
Less: Unamortized discount to present value	<u>(484,081)</u>	<u>(546,333)</u>
Total	<u>\$ 3,417,406</u>	<u>\$ 3,902,679</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 39,900	\$ 39,900
Warehouse	346,344	346,344
Warehouse improvements	557,182	557,182
Warehouse equipment	72,360	72,360
Computer equipment	289,048	289,048
Leasehold Improvements	<u>195,559</u>	<u>195,559</u>
Total property and equipment	1,500,393	1,500,393
Less: accumulated depreciation	<u>(1,321,783)</u>	<u>(1,214,019)</u>
Total property and equipment, net	<u>\$ 178,610</u>	<u>\$ 286,374</u>

Depreciation expense amounted to \$107,764 and \$88,389 for the years ended September 30, 2021 and 2020, respectively.

NOTE 8 – REFUNDABLE ADVANCES

- A. The Organization obtained a \$741,980 loan under the Paycheck Protection Program (“PPP”) administered by a Small Business Administration (SBA) approved partner. The Organization was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization had initially recorded the loan as a refundable advance in accordance with the guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan or when such conditions are explicitly waived. The loan was forgiven in May 2021, and contribution revenue was recorded for the year ended September 30, 2021. No contribution revenue had been recorded for the year ended September 30, 2020.
- B. During the year ended September 30, 2020, the Organization received a conditional contribution in the amount of \$10,000,000. The grant is subject to various milestones being met. Of the total conditional grant, \$3,400,000 was received during fiscal 2020, and was included in the statement of financial position as refundable advances. During fiscal 2021, the majority of this amount was spent down and recognized as revenue and \$69,400 remains as a refundable advance as of September 30, 2021. No additional funds were received during fiscal year 2021. In November 2021, the Organization received an additional \$3.3 million and is subject to the various milestones being met as already disclosed.

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 9 – 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 \$85,864 and \$109,901 for the years ended September 30, 2021 and 2020, respectively.

Gift annuity program investment return is included in the accompanying statements of activities for the years ended September 30, 2021 and 2020, and is summarized below:

	<u>2021</u>	<u>2020</u>
Dividends and interest	\$ 15,040	\$ 22,525
Realized gain on sale of gift annuity investments	148,002	29,596
Unrealized gain on gift annuity investments	588,516	198,720
Less: Investment fees	<u>(39,268)</u>	<u>(35,635)</u>
Total	<u>\$ 712,290</u>	<u>\$ 215,206</u>

For the years ended September 30, 2021 and 2020, investment fees amounted to \$39,268 and \$35,635, respectively.

NOTE 10 – 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, 2021 and 2020, the Organization contributed \$449,955 and \$426,223, respectively, to the 401(k) Plan.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

The net assets with donor restrictions consist of the following at September 30:

	<u>2021</u>	<u>2020</u>
Haiti grants	\$ 1,348,783	\$ 1,196,847
Country level health related training	46,303	68,175
Medical Volunteer Program restricted funds	258,011	239,942
Medical Donations Program	156,353	300,823
Disaster Relief	421,171	365,823
Peru Grants	463,637	265,051
Zambia Grants	394,908	663,244
Kenya Grants	3,908	68,727
South Sudan Grants	335,547	268,285
Sudan	205,109	122,556
Children and Mothers Partnerships	102,892	113,740
Beneficial interest	3,417,416	3,902,679
Other	593,284	522,717
	<u>\$ 7,747,322</u>	<u>\$ 8,098,609</u>

**CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020**

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

Net assets of \$8,250,273 and \$6,230,705 were released from restrictions during the years ended September 30, 2021 and 2020, respectively, as a result of satisfying purpose restrictions.

NOTE 12 – BOARD DESIGNATED NET ASSETS

The Organization's Board designated fund investment policy is to invest primarily in mutual funds based on an asset allocation, approved by the Board of Directors, to satisfy its overall Board designated fund financial and investment objectives. The overall investment objective is to maximize the total return from income (dividends and interest) and the appreciation of investments. The policy for valuing the Organization's investments is described in Note 2D.

The Organization's board designated fund is designated by the Board of Directors as noted in Note 2P.

Changes in board designated net assets are as follows for the years ended September 30:

	2021	2020
Board designated net assets, beginning of year	\$ 20,260,150	\$ 19,695,334
Transfer to Board designated fund	2,000,000	-
Investment activity:		
Unrealized gain on investments	2,549,731	564,816
Total investment activity	2,549,731	564,816
Board designated net assets, end of year	\$ 24,809,881	\$ 20,260,150

NOTE 13 – 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, 2021 and 2020 was \$4,624 and \$5,790, respectively. For the years ended September 30, 2021 and 2020, 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.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

- A. In April 2015, the Organization entered into a lease agreement for office space, expiring in 2022, for its New York City headquarters. In connection with the lease, the Organization received four months of free rent and reimbursement from the landlord for leasehold improvements of approximately \$430,000. The reimbursement from the landlord for leasehold improvements, as well as the value of the four months of free rent, have been recorded as a deferred rent obligation and are being amortized over the lease term. Rental expense for this space is recorded on a straight-line basis.

For each of the years ended after September 30, 2021, the future minimum rentals under the lease agreement is as follows:

2022	\$ 468,000
2023	116,000
	\$ 584,000

CATHOLIC MEDICAL MISSION BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 AND 2020

NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Rental expenses included in the accompanying statements of functional expenses for the years ended September 30, 2021 and 2020 amounted to \$992,204 and \$866,712, respectively.

- B. The Organization was a defendant in a legal action arising out of the normal course of its operations, including a matter that was under appeal with the Office of the California Attorney General. On July 6, 2021, the Superior Court of the State of California ruled in the Organization's favor and entered judgment against the California Attorney General who subsequently appealed that decision. The Organization is confident that the Superior Court of the State of California's ruling is correct and will be affirmed upon appeal.
- C. The Organization has no uncertain tax positions as of September 30, 2021 and 2020 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.
- D. The COVID-19 pandemic remains a rapidly evolving situation. The extent of the impact of COVID-19 on the Organization's business and financial results will depend on future developments, including the duration and spread of the outbreak. The Organization continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results of operations.

NOTE 15 – CONCENTRATIONS

- A. ***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.

As of September 30, 2021 and 2020, there was approximately \$2,882,000 and \$6,299,000, respectively, of cash and cash equivalents with one financial institution that exceeded FDIC limits.

- B. ***Donated Pharmaceuticals, Equipment and Supplies*** – One pharmaceutical company accounted for approximately 60% and 67% of the donated pharmaceuticals, equipment and supplies for the years ended September 30, 2021 and 2020, respectively.

NOTE 16 – CHANGE IN NET ASSETS

For the years ended September 30, 2021 and 2020, the Organization had increases in net assets of approximately \$64.9 million and \$9.7 million, respectively. These increases are due to the timing of receipts of donated pharmaceuticals, which exceeded the amounts distributed by the end of each fiscal year. The differences are included in inventory as of September 30, 2021 and 2020.

NOTE 17 – SUBSEQUENT EVENTS

Management has evaluated events subsequent to the date of the statement of financial position through December 17, 2021, the date the financial statements were available to be issued.