

# **Catholic Medical Mission Board, Inc.**



## **Financial Statements (Together with Independent Auditors' Report)**

**Years Ended September 30, 2022 and 2021**

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**FINANCIAL STATEMENTS**  
**(Together with Independent Auditors' Report)**  
**YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Catholic Medical Mission Board, Inc.

### ***Opinion***

We have audited the financial statements of Catholic Medical Mission Board, Inc. (the "Organization"), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Report on the 2021 Financial Statements***

The financial statements of the Organization, as of and for the year ended September 30, 2021, were audited by other auditors whose report dated December 17, 2021, expressed an unmodified opinion on those statements.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Mayer Hoffman McCann CPAs*

New York, NY  
January 18, 2023

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2022 AND 2021**

	<b>2022</b>	<b>2021</b>
<b>ASSETS</b>		
Cash and cash equivalents (Notes 2C and 15A)	\$ 9,019,740	\$ 6,031,145
Investments (Notes 2D and 4)	25,632,518	29,928,145
Inventory (Notes 2E and 2F)	141,409,505	92,740,516
Accrued interest and other receivables (Note 2H)	334,135	353,608
Contributions and pledges receivable (Notes 2H and 5)	1,791,640	986,241
Government grants receivable, net (Note 2H)	843,791	693,114
Prepaid expenses and other assets (Note 13)	215,554	272,292
Beneficial interest in charitable lead annuity trust (Note 6)	2,932,132	3,417,406
Gift annuity investments (Notes 2D, 2M, 4 and 9)	3,782,786	4,684,564
Property and equipment, net (Notes 2G, 7 and 14)	<u>82,886</u>	<u>178,610</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 186,044,687</b></u>	<u><b>\$ 139,285,641</b></u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 4,740,798	\$ 2,486,982
Deferred revenue (Note 2I)	1,724,451	774,596
Deferred rent (Notes 2J and 14)	35,641	126,581
Refundable advances (Note 8)	105,219	69,400
Gift annuity payable (Notes 2M and 9)	<u>1,785,940</u>	<u>1,794,527</u>
<b>TOTAL LIABILITIES</b>	<u><b>8,392,049</b></u>	<u><b>5,252,086</b></u>
<b>COMMITMENTS AND CONTINGENCIES</b> (Notes 2K and 14)		
<b>NET ASSETS</b> (Note 2B)		
Without donor restrictions (Note 12)	169,212,919	126,286,233
With donor restrictions (Note 11)	<u>8,439,719</u>	<u>7,747,322</u>
<b>TOTAL NET ASSETS</b>	<u><b>177,652,638</b></u>	<u><b>134,033,555</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 186,044,687</b></u>	<u><b>\$ 139,285,641</b></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, 2022 AND 2021**

	For the Year Ended September 30, 2022			For the Year Ended September 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>OPERATING ACTIVITIES</b>						
<b>Support and Revenue</b>						
Donated pharmaceuticals, equipment and supplies (Notes 2F and 15B)	\$ 435,500,434	\$ -	\$ 435,500,434	\$ 369,772,802	\$ -	\$ 369,772,802
Donated services (Note 2F)	1,420,287	-	1,420,287	771,556	-	771,556
Grants and contributions (Note 2K)	31,144,296	10,629,047	41,773,343	33,853,482	7,898,986	41,752,468
Bequests (Note 2N)	1,403,536	-	1,403,536	4,077,730	-	4,077,730
Dividends and interest (Notes 2D, 4 and 9)	21,390	-	21,390	15,311	-	15,311
Net assets released from restrictions (Note 11)	9,936,650	(9,936,650)	-	8,250,273	(8,250,273)	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>479,426,593</u>	<u>692,397</u>	<u>480,118,990</u>	<u>416,741,154</u>	<u>(351,287)</u>	<u>416,389,867</u>
<b>EXPENSES (Note 2O):</b>						
<b>Program Services (Note 1):</b>						
Global Programs	28,952,541	-	28,952,541	29,357,850	-	29,357,850
Volunteers (Note 2F)	1,781,910	-	1,781,910	1,041,414	-	1,041,414
Medical donations program (Note 2F)	388,692,181	-	388,692,181	315,224,377	-	315,224,377
Total Program Services	<u>419,426,632</u>	<u>-</u>	<u>419,426,632</u>	<u>345,623,641</u>	<u>-</u>	<u>345,623,641</u>
<b>Supporting Services:</b>						
Fundraising	7,114,327	-	7,114,327	6,492,160	-	6,492,160
Administration	4,561,174	-	4,561,174	4,575,827	-	4,575,827
Total Supporting Services	<u>11,675,501</u>	<u>-</u>	<u>11,675,501</u>	<u>11,067,987</u>	<u>-</u>	<u>11,067,987</u>
<b>TOTAL EXPENSES</b>	<u>431,102,133</u>	<u>-</u>	<u>431,102,133</u>	<u>356,691,628</u>	<u>-</u>	<u>356,691,628</u>
<b>Change in Net Assets from Operations</b>	<u>48,324,460</u>	<u>692,397</u>	<u>49,016,857</u>	<u>60,049,526</u>	<u>(351,287)</u>	<u>59,698,239</u>
<b>NONOPERATING ACTIVITIES</b>						
Unrealized (loss) gain on investments and gift annuity investments (Notes 2D, 4 and 9)	(5,633,723)	-	(5,633,723)	5,070,167	-	5,070,167
Realized gain on sales of investments and gift annuity investments (Notes 2D, 4 and 9)	434,292	-	434,292	148,078	-	148,078
Change in valuation of gift annuity payable (Note 9)	(17,590)	-	(17,590)	(23,409)	-	(23,409)
Change in valuation of charitable remainder annuity trust payable (Note 13)	-	-	-	(17)	-	(17)
Foreign currency (loss) gain	(180,753)	-	(180,753)	9,755	-	9,755
<b>TOTAL NONOPERATING ACTIVITIES</b>	<u>(5,397,774)</u>	<u>-</u>	<u>(5,397,774)</u>	<u>5,204,574</u>	<u>-</u>	<u>5,204,574</u>
<b>CHANGE IN TOTAL NET ASSETS (Note 16)</b>	<u>42,926,686</u>	<u>692,397</u>	<u>43,619,083</u>	<u>65,254,100</u>	<u>(351,287)</u>	<u>64,902,813</u>
Net assets - beginning of year	<u>126,286,233</u>	<u>7,747,322</u>	<u>134,033,555</u>	<u>61,032,133</u>	<u>8,098,609</u>	<u>69,130,742</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 169,212,919</u>	<u>\$ 8,439,719</u>	<u>\$ 177,652,638</u>	<u>\$ 126,286,233</u>	<u>\$ 7,747,322</u>	<u>\$ 134,033,555</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, 2022**  
(With Comparative Totals for 2021)

	Year Ended September 30, 2022							
	Global		Medical	Total Program			Total	
	Programs	Volunteers	Donations	Services	Fundraising	Administration	Supporting	Total
			Program				Services	2022
								2021
Salaries	\$ 7,462,673	\$ 166,207	\$ 770,739	\$ 8,399,619	\$ 961,091	\$ 2,173,930	\$ 3,135,021	\$ 11,534,640
Payroll taxes and fringe benefits (Note 10)	1,821,197	47,359	232,779	2,101,335	326,566	652,539	979,105	3,080,440
<b>Total Salaries and Related Costs</b>	<b>9,283,870</b>	<b>213,566</b>	<b>1,003,518</b>	<b>10,500,954</b>	<b>1,287,657</b>	<b>2,826,469</b>	<b>4,114,126</b>	<b>14,615,080</b>
Temporary help	168,729	-	32,418	201,147	44,117	45,950	90,067	291,214
Postage and mailing	912	189	365	1,466	1,753,673	2,023	1,755,696	1,757,162
Rent and utilities (Note 14)	707,451	24,052	138,165	869,668	107,498	125,059	232,557	1,102,225
Telephone and communications	338,099	2,775	23,695	364,569	12,933	27,911	40,844	405,413
Supplies	4,986,575	17,602	70,904	5,075,081	7,479	104,729	112,208	5,187,289
Insurance	152,395	23,044	91,377	266,816	90,887	215,917	306,804	573,620
Maintenance	1,000,783	-	19,952	1,020,735	-	18,614	1,039,349	746,238
Professional services	321,873	15,682	74,174	411,729	1,764,580	487,867	2,252,447	2,664,176
Bank charges	72,240	10	80	72,330	134,744	107,614	242,358	314,688
Conventions, meetings and workshops	2,501,248	1,477	902	2,503,627	11,178	20,227	31,405	2,535,032
Travel	880,686	54,060	6,330	941,076	4,880	35,581	40,461	981,537
Fees and membership	42,221	1,021	18,660	61,902	2,244	54,634	56,878	118,780
Advertising and publicity	125,905	-	-	125,905	305,696	72,732	378,428	504,333
Printing	258,171	-	-	258,171	1,500,277	37,165	1,537,442	1,795,613
Shipping, freight and storage	164,707	-	257,959	422,666	15,885	-	15,885	438,551
Staff training	6,343	2,188	399	8,930	-	9,156	9,156	18,086
Service contracts	760,196	3,830	115,938	879,964	8,355	335,711	344,066	1,224,030
Miscellaneous	3,994	2,127	2,000	8,121	500	3,735	4,235	12,356
<b>Total Before Other Expenses</b>	<b>21,776,398</b>	<b>361,623</b>	<b>1,856,836</b>	<b>23,994,857</b>	<b>7,052,583</b>	<b>4,531,094</b>	<b>11,583,677</b>	<b>35,578,534</b>
Other Expenses:								
Medical assistance to missions (Note 2F)	7,176,018	-	373,764,317	380,940,335	-	-	-	380,940,335
Donated services (Note 2F)	-	1,420,287	-	1,420,287	-	-	-	1,420,287
Inventory obsolescence (Note 2E)	125	-	13,067,128	13,067,253	-	-	-	13,067,253
Depreciation (Notes 2G and 7)	-	-	3,900	3,900	61,744	30,080	91,824	95,724
<b>Total Other Expenses</b>	<b>7,176,143</b>	<b>1,420,287</b>	<b>386,835,345</b>	<b>395,431,775</b>	<b>61,744</b>	<b>30,080</b>	<b>91,824</b>	<b>395,523,599</b>
<b>Total Operating Expenses</b>	<b>\$ 28,952,541</b>	<b>\$ 1,781,910</b>	<b>\$ 388,692,181</b>	<b>\$ 419,426,632</b>	<b>\$ 7,114,327</b>	<b>\$ 4,561,174</b>	<b>\$ 11,675,501</b>	<b>\$ 431,102,133</b>
								<b>\$ 356,691,628</b>

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, 2021**

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

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, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 43,619,083	\$ 64,902,813
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	95,724	107,764
Increase in inventory (net of inventory obsolescence)	(48,668,989)	(56,615,862)
Realized gain on sale of investments and gift annuity investments	(434,292)	(148,078)
Unrealized loss (gain) on investments and gift annuity investments	5,544,252	(5,245,070)
Decrease in discount of charitable lead annuity trust	(62,251)	(62,252)
Change in valuation of gift annuity payable	17,590	23,409
Change in valuation of charitable remainder annuity trust payable	-	17
Deferred rent	(90,940)	(73,892)
Subtotal	20,177	2,888,849
Changes in operating assets and liabilities:		
Decrease in accrued interest and other receivables	19,473	40,542
(Increase) decrease in contributions and pledges receivable	(805,399)	774,342
(Increase) decrease in government grants receivable	(150,677)	273,446
Decrease in prepaid expenses and other assets	56,738	38,060
Decrease in beneficial interest in charitable lead annuity trust	547,525	547,525
Increase (decrease) increase in accounts payable and accrued expenses	2,253,816	(1,785,116)
Increase (decrease) in refundable advances	35,819	(4,072,580)
Increase in deferred revenue	949,855	99,829
<b>Net cash provided by (used in) operating activities</b>	<u>2,927,327</u>	<u>(1,195,103)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sale of marketable securities and gift annuity investments	2,575,090	48,056
Purchases of marketable securities and gift annuity investments	(2,487,645)	(1,971,213)
<b>Net cash provided by (used in) investing activities</b>	<u>87,445</u>	<u>(1,923,157)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of gift annuity obligations	(26,177)	(47,373)
<b>Net cash used in financing activities</b>	<u>(26,177)</u>	<u>(47,373)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,988,595	(3,165,633)
Cash and cash equivalents at beginning of year	6,031,145	9,196,778
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>\$ 9,019,740</u>	<u>\$ 6,031,145</u>

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

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**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 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 2M. 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 in Note 2F.

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**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, 2022 and 2021, the Organization received donated pharmaceuticals, equipment and supplies of approximately \$436,000,000 and \$370,000,000, respectively. For the years ended September 30, 2022 and 2021, the Organization had obsolescence of inventory of approximately \$13,100,000 and \$12,900,000, respectively, due to the expiration of products prior to distribution.

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

	September 30,	
	2022	2021
	Days	Days
Licensed professionals	2,665	2,044

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, 2022 and 2021 was approximately \$1,420,000 and \$772,000, respectively, which was recorded in the accompanying statements of activities, as these services meet the aforementioned criteria.

Donated pharmaceuticals, equipment, supplies and services consisted of the following for the year ended September 30, 2022:

<b><u>Nonfinancial Asset</u></b>	<b><u>Amount</u></b>	<b><u>Usage in Programs/Activities</u></b>	<b><u>Donor-imposed Restrictions</u></b>	<b><u>Fair Value Techniques</u></b>
Pharmaceuticals, equipment and supplies	\$ 435,500,434	Program	No associated donor restriction	Based on fair value as listed in professional reference materials
Donated services	1,420,287	Program	No associated donor restriction	Based on rates published by the United States Bureau of Labor Statistics
Total	<u>\$ 436,920,721</u>			

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Donated pharmaceuticals, equipment, supplies and services consisted of the following for the year ended September 30, 2021:

<u>Nonfinancial Asset</u>	<u>Amount</u>	<u>Usage in Programs/Activities</u>	<u>Donor-imposed Restrictions</u>	<u>Fair Value Techniques</u>
Pharmaceuticals, equipment and supplies	\$ 369,772,802	Program	No associated donor restriction	Based on fair value as listed in professional reference materials
Donated services	<u>771,556</u>	Program	No associated donor restriction	Based on rates published by the United States Bureau of Labor Statistics
Total	<u>\$ 370,544,358</u>			

- 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 for uncollectible accounts was considered necessary for both September 30, 2022 and 2021.
- I. *Deferred revenue*** – Deferred revenue represents funding received in advance of program services being provided by the Organization.
- 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, 2022 and 2021, such deferral amounted to \$35,641 and \$126,581, 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 for under Accounting Standards Update ("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 and 2021 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.

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- 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. *Bequests*** – The Organization recognizes bequests at the time unassailable rights to the gifts have been established and the proceeds are measurable.
- O. *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.
- P. *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.
- Q. *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.
- R. *Recent accounting pronouncements*** – Financial Accounting Standards Board ("FASB") ASU 2020-07 Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets ("Gifts-in-Kind") was adopted by the Organization for the year ended September 30, 2022. The core guidance in ASU 2020-07 is to increase transparency around contributed nonfinancial assets (also known as "gifts-in-kind") received by not-for-profit ("NFP") organizations, including transparency on how those assets are used and how they are valued. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs. The amendments did not change existing recognition and measurement requirements for those assets. The adoption of ASU 2020-07 did not result in changes to the Organizations financial statements.
- S. *Restatement*** – The fair value presentation in Note 4 at September 30, 2021 was restated to conform to the September 30, 2022 presentation.

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,019,740	\$ 6,031,145
Accrued interest and other receivables	334,135	353,608
Contributions and pledges receivable due within one year	1,791,640	986,241
Beneficial interest in charitable lead annuity trust due within one year	547,525	547,525
Government grants receivable, net	843,791	693,114
Investments, net of board designated funds	5,016,427	5,118,264
Net assets with donor restrictions	<u>(8,439,719)</u>	<u>(7,628,777)</u>
	<u>\$ 9,113,539</u>	<u>\$ 6,101,120</u>

The Organization also has Board designated funds of approximately \$20.6 and \$24.8 million as of September 30, 2022 and 2021, 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.

Level 3: Valuations based on unobservable inputs are used when little or no market data exists. The fair value hierarchy gives the 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.

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

Financial assets carried at fair value at September 30, 2022 are classified in the table as follows:

Alternative investments valued at Net Asset  
Value per share practical expedient

\$ 25,632,518

Gift annuity investments:	Level 1	Level 2	Total
Mutual funds			
Large Cap Equities	\$ 995,637	\$ -	\$ 995,637
International Equities	804,305	-	804,305
Diversified	138,163	-	138,163
Fixed Income	1,505,857	-	1,505,857
REIT	99,209	-	99,209
Fixed income			
U.S. Corporate Bonds	-	239,615	239,615
Total gift annuity investments	<u>\$ 3,543,171</u>	<u>\$ 239,615</u>	<u>\$ 3,782,786</u>

Financial assets carried at fair value at September 30, 2021 are classified in the table as follows:

Alternative investments valued at Net Asset  
Value per share practical expedient at  
September 30, 2021, as restated

\$ 29,928,145

Gift annuity investments:	Level 1	Level 2	Total
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	-	338,439	338,439
Total gift annuity investments	<u>\$ 4,346,125</u>	<u>\$ 338,439</u>	<u>\$ 4,684,564</u>

Investments in mutual funds are valued using real-time quotes or market prices for similar funds in active markets (Levels 1). 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 alternative investments valued at net asset value per share with Ascension Investments as of September 30, 2022 and 2021. There are no redemption restrictions or unfunded commitments on the investments.

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)**

Investments are subject to market volatility that could substantially change their carrying value in the near term. The investment return and its classification in the statements of activities for the years ended September 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 2,608	\$ 271
Realized (loss) gain on sale of investments	(4,163)	76
Unrealized (loss) gain on investments	(4,295,627)	4,570,919
Less: Investment fees	<u>(50,000)</u>	<u>(50,000)</u>
Total	\$ <u>(4,347,182)</u>	\$ <u>4,521,266</u>

For each of the years ended September 30, 2022 and 2021, investment fees amounted to \$50,000.

**Fair Value of Investments in Entities that Use NAV**

The following table summarizes investments for which fair value is measured using the Net Asset Value per share practical expedient as of September 30:

<u>Fair Value at September 30, 2022</u>	<u>Fair Value at September 30, 2021</u>	<u>Unfunded Commitment</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
\$ <u>25,632,518</u>	\$ <u>29,928,145</u>	None	Monthly & Quarterly	30-180 days

The objective of the fund is to allow each of its members to achieve attractive risk-adjusted returns while attempting to preserve capital in adverse market conditions through the implementation of diversified investment strategies.

**NOTE 5 – CONTRIBUTIONS AND PLEDGES RECEIVABLE**

At September 30, 2022 and 2021, contributions and pledges receivable consist of the following:

	<u>2022</u>	<u>2021</u>
Various individual pledges	\$ 498,058	\$ 348,378
Contributions	<u>1,293,582</u>	<u>637,863</u>
Total	\$ <u>1,791,640</u>	\$ <u>986,241</u>

All contributions and pledges receivable as of September 30, 2022 are expected to be collected during the year ending September 30, 2023.



**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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>2022</u>	<u>2021</u>
Amount due in less than one year	\$ 547,525	\$ 547,525
Amount due from one to five years	2,806,437	2,737,625
Thereafter	<u>-</u>	<u>616,337</u>
	3,353,962	3,901,487
Less: Unamortized discount to present value	<u>(421,830)</u>	<u>(484,081)</u>
Total	<u>\$ 2,932,132</u>	<u>\$ 3,417,406</u>

**NOTE 7 – PROPERTY AND EQUIPMENT**

Property and equipment consist of the following at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 39,900	\$ 39,900
Warehouse	346,344	346,344
Warehouse improvements	57,182	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>(1,417,507)</u>	<u>(1,321,783)</u>
Total property and equipment, net	<u>\$ 82,886</u>	<u>\$ 178,610</u>

Depreciation expense amounted to \$95,724 and \$107,764 for the years ended September 30, 2022 and 2021, 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.
- 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, \$6,700,000 was received as of September 30, 2022 and was included in the statement of financial position as refundable advances. The remaining \$3,300,000 has not yet been included in the statement of financial position. During fiscal 2021 and 2022 respectively, the majority of this amount was spent down and recognized as revenue and \$105,219 remains as a refundable advance as of September 30, 2022. No additional funds were received during fiscal year 2022. In October 2022, the Organization received the final portion of the conditional contribution of \$3.3 million and is subject to the various milestones being met as already disclosed.

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
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**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 \$110,377 and \$85,864 for the years ended September 30, 2022 and 2021, respectively.

Gift annuity program investment return is included in the accompanying statements of activities for the years ended September 30, 2022 and 2021, and is summarized below:

	<u>2022</u>	<u>2021</u>
Dividends and interest	\$ 18,782	\$ 15,040
Realized gain on sale of gift annuity investments	438,455	148,002
Unrealized (loss) gain on gift annuity investments	(1,248,625)	588,516
Less: Investment fees	<u>(39,471)</u>	<u>(39,268)</u>
Total	<u>\$ (830,859)</u>	<u>\$ 712,290</u>

For the years ended September 30, 2022 and 2021, investment fees amounted to \$39,471 and \$39,268, 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, 2022 and 2021, the Organization contributed \$469,388 and \$449,955, 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>2022</u>	<u>2021</u>
Haiti grants	\$ 1,596,680	\$ 1,348,783
Country level health related training	46,303	46,303
Medical Volunteer Program restricted funds	300,496	258,011
Medical Donations Program	68,600	156,353
Disaster Relief	991,514	421,171
Peru Grants	426,246	463,637
Zambia Grants	270,398	394,908
Kenya Grants	243,376	3,908
South Sudan Grants	68,710	335,547
Sudan	543,066	205,109
Children and Mothers Partnerships	105,592	102,892
Beneficial interest	2,932,132	3,417,416
Other	846,606	593,284
	<u>\$ 8,439,719</u>	<u>\$ 7,747,322</u>

Net assets of \$9,936,650 and \$8,250,273 were released from restrictions during the years ended September 30, 2022 and 2021, respectively, as a result of satisfying purpose restrictions.

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
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**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.

In 2014, the Organization's Board designated the investments as a Board designated fund to be used for program or administrative purposes as deemed necessary.

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

	<u>2022</u>	<u>2021</u>
Board designated net assets, beginning of year	\$ 24,809,881	\$ 20,260,150
Transfer to Board designated fund	<u>-</u>	<u>2,000,000</u>
Investment activity:		
Unrealized (loss) gain on investments	<u>(4,193,790)</u>	<u>2,549,731</u>
Total investment activity	<u>(4,193,790)</u>	<u>2,549,731</u>
Board designated net assets, end of year	<u>\$ 20,616,091</u>	<u>\$ 24,809,881</u>

**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, 2022 and 2021 was \$4,626 and \$4,624, respectively. For the years ended September 30, 2022 and 2021, 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.

CMMB's current lease ends in December 2022 and the remaining commitment amounts to \$116,000. In November 2022, CMMB signed a new lease with America Media for the 11<sup>th</sup> floor of 1212 Avenue of Americas, New York, NY 10036 commencing on December 1, 2022, expiring on May 31, 2024.

Rental expenses included in the accompanying statements of functional expenses for the years ended September 30, 2022 and 2021 amounted to \$856,895 and \$992,204, respectively.

**CATHOLIC MEDICAL MISSION BOARD, INC.**  
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**NOTE 14 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

- 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 which is ongoing and expected to conclude during 2023. 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, 2022 and 2021 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.

**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, 2022 and 2021, there was approximately \$3,169,000 and \$2,882,000, 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 52% and 60% of the donated pharmaceuticals, equipment and supplies for the years ended September 30, 2022 and 2021, respectively.

**NOTE 16 – CHANGE IN NET ASSETS**

For the years ended September 30, 2022 and 2021, the Organization had increases in net assets of approximately \$43.6 million and \$64.9 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, 2022 and 2021.

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated events subsequent to the date of the statement of financial position through January 18, 2023, the date the financial statements were available to be issued.