

CATHOLIC MEDICAL MISSION BOARD, INC.

Financial Statements  
for year ended  
September 30, 2007

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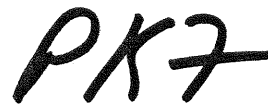
Independent Auditor's Report

Board of Directors  
Catholic Medical Mission Board, Inc.  
10 West 17th Street  
New York, New York

We have audited the accompanying statements of financial position of Catholic Medical Mission Board, Inc. (the Organization) as of September 30, 2007 and 2006, and the related statements of activities, cash flows, and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Medical Mission Board, Inc. as of September 30, 2007 and 2006, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants  
A Professional Corporation

May 21, 2008

## CATHOLIC MEDICAL MISSION BOARD, INC.

## Statements of Financial Position

## Assets

	September 30	
	2007	2006
Current assets		
Cash and cash equivalents (notes 2 and 3)	\$ 1,289,179	\$ 1,090,318
Investments in marketable securities (notes 2 and 4)	3,305,045	3,083,595
Inventory (note 2)	11,791,667	25,630,323
Accrued interest and other receivables	408,360	164,433
Contributions receivable (note 5)	94,814	418,950
Prepaid expenses	422,803	50,758
Total current assets	<u>17,311,868</u>	<u>30,438,377</u>
Property and equipment, net (notes 2 and 6)	1,183,634	1,329,225
Gift annuity investments (notes 2 and 7)	2,431,065	2,700,563
Contributions receivable (note 5)	9,000	72,818
Other asset	51,989	40,007
Assets held in charitable remainder annuity trust (note 11)	<u>612,500</u>	<u>625,613</u>
Total assets	<u>\$ 21,600,056</u>	<u>\$ 35,206,603</u>

## Liabilities and Net Assets

Current liabilities		
Accounts payable and other accrued liabilities	\$ 2,317,978	\$ 1,148,529
Current portion of gift annuity payable (notes 2 and 7)	208,122	199,358
Current portion of charitable remainder annuity trust payable (note 11)	18,526	17,984
Total current liabilities	<u>2,544,626</u>	<u>1,365,871</u>
Gift annuity payable (notes 2 and 7)	2,052,824	2,097,631
Charitable remainder annuity trust payable (note 11)	571,008	583,937
Other liability	55,739	40,007
Postretirement benefits payable (note 9)	256,817	255,180
Total liabilities	<u>5,481,014</u>	<u>4,342,626</u>
Net assets		
Unrestricted (note 2)	15,166,105	30,090,379
Temporarily restricted (notes 2, 5 and 10)	952,937	773,598
Total net assets	<u>16,119,042</u>	<u>30,863,977</u>
Total liabilities and net assets	<u>\$ 21,600,056</u>	<u>\$ 35,206,603</u>

See notes to financial statements



## Statements of Cash Flows

	Year Ended September 30	
	2007	2006
Cash flows from operating activities		
Changes in net assets	\$ (14,744,935)	\$ 11,763,298
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities		
Depreciation	166,638	194,768
Amortization of bond premium	(3,629)	(645)
Realized gain on sale of marketable securities and gift annuity investments	(250,509)	104,356
Change in value of split-interest agreements	726	898
(Appreciation) of marketable securities and gift annuity investments	(104,610)	(327,151)
Changes in assets and liabilities		
(Increase) decrease in accrued interest and other receivables	(243,927)	407,346
Decrease in contributions receivable	387,954	443,107
(Increase) decrease in inventory	13,838,656	(12,630,887)
(Increase) decrease in prepaid expenses	(372,045)	51,186
Increase (decrease) in accounts payable and other accrued liabilities	1,169,449	277,018
Increase in postretirement benefits payable	1,637	31,240
Change in other assets and liabilities	3,750	-
Net cash provided (used) by operating activities	(150,845)	314,534
Cash flows from investing activities		
Proceeds from sale of marketable securities and gift annuity Investments	5,148,545	1,885,769
Purchases of marketable securities and gift annuity investments	(4,686,083)	(1,609,664)
Capital expenditures	(21,047)	(115,402)
Net cash provided by investing activities	441,415	160,703
Cash flows from financing activities		
Proceeds from gift annuities	102,500	273,500
Payment of gift annuity obligations	(194,209)	(309,405)
Net cash (used) by financing activities	(91,709)	(35,905)
Net increase in cash and cash equivalents	198,861	439,332
Cash and cash equivalents at beginning of year	1,090,318	650,986
Cash and cash equivalents at end of year	\$ 1,289,179	\$ 1,090,318

See notes to financial statements

CATHOLIC MEDICAL MISSION BOARD, INC.

Statement of Functional Expenses  
For Year Ended September 30, 2007

	Program Services	Administrative	Fund Raising	Total
Salaries	\$ 2,404,956	\$ 931,046	\$ 895,142	\$ 4,231,144
Fringe benefits	578,111	235,381	264,712	1,078,204
Total	2,983,067	1,166,427	1,159,854	5,309,348
Temporary help	12,933	67,068	-	80,001
Postage and mailing service	25,578	10,633	896,178	932,389
Rent and utilities	216,973	40,401	-	257,374
Telephone and communications	74,911	123,428	4,467	202,806
Office supplies	747,326	71,905	31,133	850,364
Insurance	28,750	126,481	-	155,231
Maintenance	53,852	6,308	-	60,160
Professional services	703,935	464,368	736,480	1,904,783
Investment fees and bank charges	32,077	184,046	69,541	285,664
Conventions, meetings and workshops	519,399	38,233	17,278	574,910
Travel	417,740	190,277	70,585	678,602
Fees and membership	22,950	20,420	17,768	61,138
Publications	51,908	15	-	51,923
Advertising and publicity	10,343	162	5,485	15,990
Printing	83,440	1,397	427,255	512,092
Shipping, freight and storage	324,446	-	799	325,245
Staff training	17,448	24,569	3,007	45,024
Service contracts	45,726	101,480	104,935	252,141
Total expenses before medical assistance to missions, inventory adjustments, donated services and depreciation	6,372,802	2,637,618	3,544,765	12,555,185
Medical assistance to missions	188,060,002	-	-	188,060,002
Inventory adjustments	15,564,839	-	-	15,564,839
Donated services	4,853,117	-	-	4,853,117
Depreciation	60,583	106,055	-	166,638
Total expenses	\$ 214,911,343	\$ 2,743,673	\$ 3,544,765	\$ 221,199,781

See notes to financial statements

CATHOLIC MEDICAL MISSION BOARD, INC.

Statement of Functional Expenses  
For Year Ended September 30, 2006

	Program Services	Administrative	Fund Raising	Total
Salaries	\$ 2,296,381	\$ 811,864	\$ 880,513	\$ 3,988,758
Fringe benefits	365,276	663,038	68,296	1,096,610
Total	2,661,657	1,474,902	948,809	5,085,368
Temporary help	11,973	36,689	946	49,608
Postage and mailing service	45,054	4,497	795,470	845,021
Rent and utilities	181,311	65,442	-	246,753
Telephone and communications	51,165	95,368	4,151	150,684
Office supplies	433,855	113,788	18,112	565,755
Insurance	21,557	128,809	-	150,366
Maintenance	98,005	17,518	-	115,523
Professional services	463,750	349,541	1,062,084	1,875,375
Investment fees and bank charges	116,221	9,076	149,318	274,615
Conventions, meetings and workshops	387,400	55,684	571	443,655
Travel	455,559	142,021	70,789	668,369
Fees and membership	37,342	5,947	25,762	69,051
Publications	44,148	-	-	44,148
Advertising and publicity	11,445	6,471	5,395	23,311
Printing	47,730	6,487	441,019	495,236
Shipping, freight and storage	298,107	231	-	298,338
Staff training	80,400	17,870	-	98,270
Service contracts	53,479	43,871	217,656	315,006
Total expenses before medical assistance to missions, inventory adjustments, donated services and depreciation	5,500,158	2,574,212	3,740,082	11,814,452
Medical assistance to missions	130,440,142	25,000	-	130,465,142
Inventory adjustments	1,321,205	-	-	1,321,205
Donated services	5,824,369	-	-	5,824,369
Depreciation	194,768	-	-	194,768
Total expenses	\$ 143,280,642	\$ 2,599,212	\$ 3,740,082	\$ 149,619,936

See notes to financial statements

## CATHOLIC MEDICAL MISSION BOARD, INC.

Notes to Financial Statements  
September 30, 2007

Note 1 - Organization

The Catholic Medical Mission Board, Inc. (the Organization) was organized in New York in 1928 as a non-profit corporation for the purpose of providing medical supplies and equipment to needy clinical facilities in missions throughout the world. The Organization also coordinates the placement of professionals and health care volunteers within the missions.

Note 2 - Summary of significant accounting policiesBasis of accounting

The Organization prepares its financial statements on the accrual basis of accounting.

Basis of presentation

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

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

Temporarily restricted is a donor-imposed restriction that specifies the use of the support and is satisfied either through the passage of time or by the Organization's actions, and permits the Organization to use or expend part of the support.

Permanently restricted is a donor-imposed restriction which requires the Organization to maintain the contributed assets permanently, but permits the Organization to use or expend part of the support.

Where a restriction expires (that is, where a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Donated pharmaceuticals, equipment, supplies and services

The Organization records the value of donated pharmaceuticals, equipment, supplies and services when there is an objective basis available to measure their value. Most donated pharmaceuticals, equipment and supplies are reflected as support in the accompanying financial statements at the industry standard (Red Book - Pharmacy's Fundamental Reference) at the date of receipt. A summary of days spent by volunteers during the years ended September 30, 2007 and 2006 is as follows:

<u>Classification</u>	<u>Fiscal</u>	
	<u>2007</u>	<u>2006</u>
	<u>Days</u>	<u>Days</u>
Licensed professionals	<u>17,812</u>	<u>18,249</u>

The total estimated value of the licensed professionals donated services for the years ended September 30, 2007 and 2006 were \$4,853,117 and \$5,824,369, respectively.

## CATHOLIC MEDICAL MISSION BOARD, INC.

Notes to Financial Statements (continued)  
September 30, 2007

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities and gift annuity investments are stated at fair market value.

Inventory

Purchased inventory is stated at the lower of cost or market value, and donated inventory is generally stated at the industry standard (Red Book - Pharmacy's Fundamental Reference).

Inventory adjustments included in the accompanying statements of activities and statements of functional expenses reflect expired pharmaceuticals, periodic physical count modifications and manual input adjustments.

Depreciation

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets, which range from 5 to 50 years.

Income taxes

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

Use of estimates

In preparing its financial statements in conformity with accounting principles generally accepted in the United States of America, the Organization makes estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities 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.

Concentration of credit risk

The Organization maintains cash balances at several financial institutions which at times may exceed FDIC insurance limits. The Organization has not experienced any losses on its cash deposits.

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 life of the donors. The assets received are recorded at their fair value and the related liability is recorded as an annuity obligation at the present value of the estimated future payments to be distributed by the Organization based on expected mortality and a discount rate. The amount of contribution to the Organization is the difference between the asset and the computed liability.

## CATHOLIC MEDICAL MISSION BOARD, INC.

Notes to Financial Statements (continued)  
September 30, 2007

Functional allocation of expenses

The costs of providing various programs and supporting activities such as, fund-raising and administrative have been summarized on a functional basis in the accompanying statements of activities and functional expenses. Accordingly, certain costs have been allocated as determined by management among the programs and supporting activities benefited.

Conditional asset retirement obligations

Recently promulgated accounting standards require the current recognition of a liability when a legal obligation exists to incur costs in connection with the retirement of an asset. Any retirement obligations associated with property owned by the Organization is considered to be of a minimal amount and associated with maintenance, rather than retirement, of the property. Accordingly, the Organization has not recorded any liability in connection with any future retirement of its property.

Reclassification

Certain accounts in 2006 have been reclassified to conform with the 2007 presentation.

Note 3 - Cash and cash equivalents

Cash and cash equivalents consist of the following at September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Checking and petty cash	\$ 996,770	\$ 726,867
Savings and money market	22,623	6,698
Held by brokers	269,786	356,753
Total	<u>\$ 1,289,179</u>	<u>\$ 1,090,318</u>

Note 4 - Investments in marketable securities

Investments in marketable securities consist of the following at September 30, 2007 and 2006:

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Common stock	\$ 2,054,198	2,230,891	\$ 1,857,420	\$ 1,910,906
Corporate bonds	1,068,254	1,074,154	1,086,528	1,072,351
Mutual funds	-	-	94,579	100,338
Total	<u>\$ 3,122,452</u>	<u>\$ 3,305,045</u>	<u>\$ 3,038,527</u>	<u>\$ 3,083,595</u>

The following schedule summarizes the investment return and its classification in the statements of activities for the years ended September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Dividends and interest	\$ 148,224	\$ 119,881
Realized gain (loss) on sale of marketable securities	130,429	(110,144)
Unrealized appreciation of marketable securities	137,525	287,369
Total	<u>\$ 416,178</u>	<u>\$ 297,106</u>

## CATHOLIC MEDICAL MISSION BOARD, INC.

Notes to Financial Statements (continued)  
September 30, 2007

Note 5 - Contributions receivable

At September 30, 2007 and 2006 contributions receivable consists of:

	<u>2007</u>	<u>2006</u>
The Campaign for Women and Children (a)	\$ 95,978	\$ 339,010
Grants	7,836	7,836
Other (a)	-	144,922
	<u>\$ 103,814</u>	<u>\$ 491,768</u>

(a) Donor pledges payable over a period of years have been reflected at their net present values.

Future minimum amounts to be received related to the above contributions consist of the following:

	Fiscal year ending September 30,
2008	\$ 94,814
2009	<u>9,000</u>
	<u>\$ 103,814</u>

Note 6 - Property and equipment, net

Property and equipment are stated at cost and consist of the following at September 30, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Land	\$ 57,000	\$ 57,000
Office building	345,173	345,173
Office building improvements	1,016,849	1,016,849
Office equipment	791,294	770,247
Vehicles	65,431	65,431
Warehouse	346,344	346,344
Warehouse improvements	557,182	557,182
Warehouse equipment	393,514	393,514
Total property and equipment	<u>3,572,787</u>	<u>3,551,740</u>
Less accumulated depreciation	<u>2,389,153</u>	<u>2,222,515</u>
Total property and equipment, net	<u>\$ 1,183,634</u>	<u>\$ 1,329,225</u>

## CATHOLIC MEDICAL MISSION BOARD, INC.

Notes to Financial Statements (continued)  
September 30, 2007

Note 7 - Gift annuity program

The Organization has a gift annuity program whereby donors transfer assets to the Organization and 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, determine the amount of the fixed payment to the donor. Amounts received from donors are allocated between contribution support and gift annuity payable based on a predetermined formula. A summary of activity in the gift annuity program during the years ended September 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Gifts received from donors	\$ 102,500	\$ 273,500
Amount recognized as contribution revenue	<u>(35,035)</u>	<u>(91,545)</u>
Amount recognized as gift annuity payable	67,465	181,955
Amount paid to donors	(194,209)	(309,405)
Change in value of gift annuity liability	100,909	227,719
Reclassification from annuity payable to contributions due to death of annuitant	<u>(10,208)</u>	<u>(75,269)</u>
Net increase (decrease) in gift annuity payable	(36,043)	25,000
Gift annuity payable at beginning of year	2,296,989	2,271,989
Gift annuity payable at end of year	<u>\$ 2,260,946</u>	<u>\$ 2,296,989</u>

The following is a schedule by years of future minimum gift annuity payments:

	<u>Fiscal year ending September 30,</u>
2008	\$ 208,122
2009	200,180
2010	189,561
2011	181,502
2012	171,684
Thereafter	<u>1,309,897</u>
Total	<u>\$ 2,260,946</u>

Gift annuity program investment return is included in the accompanying statement of activities. Gift annuity program investment return for the years ended September 30, 2007 and 2006 is summarized below:

	<u>2007</u>	<u>2006</u>
Dividends and interest	\$ 119,597	\$ 124,603
Realized gain (loss) on sale of gift annuity investments	120,080	5,788
Unrealized appreciation (depreciation) of gift annuity investments	<u>(32,915)</u>	<u>39,782</u>
Total	<u>\$ 206,762</u>	<u>\$ 170,173</u>

Note 8 - Retirement plans

The Organization provides a pension plan for eligible employees through the Archdiocesan Pension Plan. The Archdiocesan Pension Plan is a defined benefit plan qualified under Section 401(a) of the Internal Revenue Code. The plan covers all employees who are thirty years of age or older who have completed three years of service as of the beginning of the plan year (July 1). Under the plan, a contribution is made to the account of each individual employee, based on annual compensation levels. The pension expense for this plan was \$144,338 and \$80,044 for the years ended September 30, 2007 and 2006, respectively.

## CATHOLIC MEDICAL MISSION BOARD, INC.

Notes to Financial Statements (continued)  
September 30, 2007

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. In addition, the Organization will make a matching contribution to the 401(k) Plan equal to one-half of the first 6% of annual eligible compensation. For the years ended September 30, 2007 and 2006, the Organization contributed \$100,295 and \$68,553, respectively, to the 401(k) Plan.

Note 9 - Postretirement benefits

The Organization provides for medical insurance for retired employees age fifty or greater, who have achieved at least twenty years of service at the time of retirement. The Organization reimburses the equivalent cost of the post-age 65 plan for retired employees and spouses who have not reached the age of 65. The Organization assumes the full cost for a secondary insurance contract (supplemental to Medicare) for retired employees and/or spouses reaching the age of sixty-five. The Organization funds its post retirement benefits cost on a pay as you go basis.

The Organization adopted the provisions of SFAS No. 158 "Employers Accounting for Defined Benefit and Other Postretirement Plans", an amendment of FASB Statement Nos. 87, 88 and 106 and 132(R) on September 30, 2007. This pronouncement includes the requirement for an organization to recognize the overfunded or underfunded status of its post-retirement plan as an asset or liability in its statement of financial position. The adoption of SFAS No. 158 did not have a material effect on the amount of the liability recorded by the Organization at September 30, 2007.

The unfunded status and amounts recognized in the statement of financial position at September 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Benefit obligation	\$ (256,817)	\$ (255,180)
Fair value of plan assets	-	-
Funded status	<u>\$ (256,817)</u>	<u>\$ (255,180)</u>
 (Accrued) postretirement benefit cost recognized in the accompanying statements of financial position	 <u>\$ (256,817)</u>	 <u>\$ (255,180)</u>
 Discount rate	 <u>7.5%</u>	 <u>7.5%</u>
 Benefit cost	 \$ 37,013	 \$ 36,882
Employer contribution	4,753	5,642

For measurement purposes, a 6% annual rate of increase in the per capita cost of covered health care benefits was assumed in each of fiscal 2007 and 2006.

## CATHOLIC MEDICAL MISSION BOARD, INC.

Notes to Financial Statements (continued)  
September 30, 2007

Assumed health care cost trends have a significant effect on the amounts reported for the health care plan. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	2007		2006	
	1-Percentage-Point Increase	1-Percentage-Point Decrease	1-Percentage-Point Increase	1-Percentage-Point Decrease
Effect on total service and interest cost components	\$ 10,717	\$ (7,649)	\$ 8,412	\$ (6,088)
Effect on postretirement benefit obligation	70,745	(52,223)	51,038	(37,973)

The Organization expects to contribute \$5,553 to fund these benefits in fiscal 2008.

The following benefit payments are expected to be paid:

Fiscal Year(s)	
2008	\$ 5,553
2009	5,788
2010	6,012
2011	6,223
2012	6,419
2013-2017	42,855

Note 10 - Temporarily restricted net assets

The temporarily restricted net assets at September 30, 2007 and 2006 consist of the following:

	2007	2006
Haiti grants (A)	\$ 129,263	\$ 207,815
Kenya (A)	144,433	-
Zbylut fund (B)	176,926	112,934
Born to Live (C)	104,985	95,500
Zambia (D)	81,235	79,955
Tsunami (E)	-	19,537
Disaster Relief (F)	250,099	124,853
Other	65,996	133,004
	<u>\$ 952,937</u>	<u>\$ 773,598</u>

- (A) These net assets are to be used to assist in funding the Organization's programs for women and children.
- (B) These net assets are to provide funds for the training of nurses in developing countries.
- (C) These net assets are to be used to assist in funding the Organization's Born to Live program in South Africa.
- (D) These net assets are to be used to assist in funding the volunteer programs.
- (E) These net assets are to be used to provide funds for Tsunami relief.
- (F) These net assets are to be used to provide relief from hurricanes in Central America and earthquakes in India and Pakistan.

## CATHOLIC MEDICAL MISSION BOARD, INC.

Notes to Financial Statements (continued)  
September 30, 2007

Note 11 - 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, 2007 and 2006 was \$612,500 and \$625,613, respectively.

The following is a schedule by years of future minimum CRAT annuity principal payments as of September 30, 2007:

Fiscal 2008	\$	18,526
Fiscal 2009		19,632
Fiscal 2010		20,836
Fiscal 2011		22,154
Fiscal 2012		23,580
Thereafter		484,806
Total	\$	<u>589,534</u>

Note 12 - Subsequent events

On November 16, 2007, CMMB entered into an agreement with Merrill Lynch for a line of credit. The total amount available to the Organization is \$2.25 million, which is based on the pledged assets as follows: 50% loan to value of equity investments and a 70% loan to value of fixed income investments. Interest on outstanding borrowings will be charged based on LIBOR plus 1.25%.

\* \* \*