KPMG

CATHOLIC NEAR EAST WELFARE ASSOCIATION

Consolidated Financial Statements

December 31, 2008

(With Independent Auditors' Report Thereon)

KPMG

KPMG LLP
345 Park Avenue
New York, NY 10154-0102

Independent Auditors' Report

Board of Trustees
Catholic Near East Welfare Association:

We have audited the accompanying consolidated statement of financial position of Catholic Near East Welfare Association (CNEWA) as of December 31, 2008, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended. These consolidated financial statements are the responsibility of CNEWA's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from CNEWA's 2007 financial statements and, in our report dated May 29, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CNEWA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Catholic Near East Welfare Association as of December 31, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

July 20, 2009

CATHOLIC NEAR EAST WELFARE ASSOCIATION

Consolidated Statement of Financial Position
December 31, 2008
(with comparative amounts as of December 31, 2007)

Assets		2008	2007
Cash and cash equivalents	$	3,563,110	4,033,536
Contributions receivable		1,841,051	596,857
Accrued interest and other receivables		197,914	305,166
Prepaid expenses		160,074	108,020
Investments (note 3)		26,327,098	37,664,372
Trust investments held by others		1,022,334	1,316,978
Fixed assets (note 4)		1,180,602	1,328,754
Total assets	$	34,292,183	45,353,683
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	635,094	796,568
Annuities payable (note 3)		7,175,896	7,508,509
Amounts held for others		2,797,908	3,474,333
End-of-service liabilities		1,908,399	1,722,670
Total liabilities		12,517,297	13,502,080
Net assets:			
Unrestricted (note 7)			
Undesignated		1,499,146	633,795
Designated		3,559,942	11,472,216
Net investment in fixed assets		1,180,602	1,328,754
Total unrestricted		6,239,690	13,434,765
Temporarily restricted (note 7)		8,014,707	10,934,576
Permanently restricted (note 7)		7,520,489	7,482,262
Total net assets		21,774,886	31,851,603
Total liabilities and net assets	$	34,292,183	45,353,683

See accompanying notes to consolidated financial statements.

CATHOLIC NEAR EAST WELFARE ASSOCIATION

Consolidated Statement of Activities

Year ended December 31, 2008

(with comparative totals for the year ended December 31, 2007)

	Unrestricted		
	Undesignated	**Designated**	**Plant**
Operating revenue, gains, and other support:			
Contributions	$ 4,976,127	-	-
Grants from funding agencies	1,032	-	-
Collections	1,562,334	-	-
Legacies and bequests	4,601,398	-	-
Investment return (note 3)	(389,275)	(920,027)	-
Contributions in kind	16,017	-	-
Contributed services	497,676	-	-
	11,265,309	(920,027)	-
Net assets released from restrictions and redesignation	11,606,084	-	-
Total operating revenue, gains, and other support	22,871,393	(920,027)	-
Operating expenses:			
Program services (note 8):			
Pastoral support	7,181,457	-	59,674
Humanitarian assistance	9,426,499	-	82,006
Interfaith communication	939,792	-	16,445
Public awareness	1,702,428	-	53,072
Total program services	19,250,176	-	211,197
Support services:			
Management and general	1,823,959	-	142,016
Fund-raising	1,687,957	-	1,290
Total support services	3,511,916	-	143,306
Total operating expenses	22,762,092	-	354,503
Increase (decrease) in net assets before nonoperating activities	109,301	(920,027)	(354,503)
Nonoperating activities:			
Acquisition of fixed assets	(206,351)	-	206,351
Unrealized (loss) gains on investments (note 3)	(2,765,397)	(3,277,087)	-
Change in value of annuity obligations	12,638	-	-
Transfer from designated net assets	3,715,160	(3,715,160)	-
Increase (decrease) increase in net assets	865,351	(7,912,274)	(148,152)
Net assets at beginning of year	633,795	11,472,216	1,328,754
Net assets at end of year	$ 1,499,146	3,559,942	1,180,602

See accompanying notes to consolidated financial statements.

(Continued)

Total unrestricted	Temporarily restricted	Permanently restricted	2008 Total	2007 Total
4,976,127	8,087,558	189,652	13,253,337	14,188,162
1,032	2,481,959	-	2,482,991	3,323,536
1,562,334	-	-	1,562,334	1,467,183
4,601,398	553,464	-	5,154,862	3,210,240
(1,309,302)	(568,225)	-	(1,877,527)	2,665,762
16,017	-	-	16,017	12,411
497,676	-	-	497,676	537,997
10,345,282	10,554,756	189,652	21,089,690	25,405,291
11,606,084	(11,575,833)	(30,251)	-	-
21,951,366	(1,021,077)	159,401	21,089,690	25,405,291
7,241,131	-	-	7,241,131	7,874,170
9,508,505	-	-	9,508,505	9,622,450
956,237	-	-	956,237	863,989
1,755,500	-	-	1,755,500	1,743,074
19,461,373	-	-	19,461,373	20,103,683
1,965,975	-	-	1,965,975	1,887,705
1,689,247	-	-	1,689,247	1,276,723
3,655,222	-	-	3,655,222	3,164,428
23,116,595	-	-	23,116,595	23,268,111
(1,165,229)	(1,021,077)	159,401	(2,026,905)	2,137,180
-	-	-	-	-
(6,042,484)	(1,898,792)	(121,174)	(8,062,450)	794,136
12,638	-	-	12,638	(529,026)
-	-	-	-	-
(7,195,075)	(2,919,869)	38,227	(10,076,717)	2,402,290
13,434,765	10,934,576	7,482,262	31,851,603	29,449,313
6,239,690	8,014,707	7,520,489	21,774,886	31,851,603

CATHOLIC NEAR EAST WELFARE ASSOCIATION
Consolidated Statement of Functional Expenses
Year ended December 31, 2008
(with comparative totals for the year ended December 31, 2007)

	Program		
	Pastoral support	Humanitarian assistance	Interfaith communication
Awards and grants:			
Subsidies	$ 2,694,133	3,596,421	-
Project grants	2,508,327	3,493,922	572,019
Special awards	230,002	162,563	647
Total awards and grants	5,432,462	7,252,906	572,666
Salaries and related expenses:			
Salaries	1,033,315	1,258,259	239,353
Employee benefits	281,796	351,802	46,580
Payroll taxes	73,124	60,099	13,144
Total salaries and related expenses	1,388,235	1,670,160	299,077
Other operating expenses:			
Professional fees and services	34,844	53,549	6,245
Occupancy	95,202	106,363	26,622
Consumable supplies	21,195	28,664	4,817
Postage and shipping	25,429	27,531	3,519
Telephone and cable	34,179	57,725	4,335
Printing	4,344	5,971	1,059
Administrative and miscellaneous	43,668	63,938	8,636
Travel	66,117	89,423	7,763
Insurance	11,937	26,300	4,600
Loss on disposal of assets	-	(6,874)	-
Loss (gain) on currency conversion	16,967	43,683	453
Total other operating expenses	353,882	496,273	68,049
Depreciation and amortization	66,552	89,166	16,445
Total expenses	$ 7,241,131	9,508,505	956,237

See accompanying notes to consolidated financial statements.

(Continued)

Services		Support Services					
Public awareness	Total	Management and general	Fund-raising	Total	2008 Total	2007 Total	
-	6,290,554	-	-	-	6,290,554	6,693,007	
49,837	6,624,105	-	-	-	6,624,105	7,140,283	
-	393,212	-	-	-	393,212	237,463	
49,837	13,307,871	-	-	-	13,307,871	14,070,753	
831,865	3,362,792	1,166,414	495,972	1,662,386	5,025,178	4,904,969	
140,209	820,387	180,023	112,782	292,805	1,113,192	978,527	100
53,671	200,038	55,296	35,603	90,899	290,937	308,047	
1,025,745	4,383,217	1,401,733	644,357	2,046,090	6,429,307	6,191,543	238
60,550	155,188	93,228	96,321	189,549	344,737	302,374	40
115,688	343,875	137,153	36,419	173,572	517,447	484,794	30
6,593	61,269	18,681	30,957	49,638	110,907	108,486	
146,251	202,730	23,549	224,478	248,027	450,757	472,108	
10,369	106,608	28,853	7,586	36,439	143,047	144,133	
221,105	232,479	5,726	517,711	523,437	755,916	653,817	100
31,425	147,667	83,534	111,787	195,321	342,988	243,301	100
26,710	190,013	33,063	10,953	44,016	234,029	211,759	
6,543	49,380	22,117	7,353	29,470	78,850	57,216	
-	(6,874)	-	-	-	(6,874)	(37,053)	30
1,612	62,715	(9,640)	35	(9,605)	53,110	(13,680)	70
626,846	1,545,050	436,264	1,043,600	1,479,864	3,024,914	2,627,255	398
53,072	225,235	127,978	1,290	129,268	354,503	378,560	
1,755,500	19,461,373	1,965,975	1,689,247	3,655,222	23,116,595	23,268,111	636

CATHOLIC NEAR EAST WELFARE ASSOCIATION

Consolidated Statement of Cash Flows

Year ended December 31, 2008

(with comparative amounts for the year ended December 31, 2007)

	2008	2007
Cash flows from operating activities:		
(Decrease) increase in net assets	$ (10,076,717)	2,402,290
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	354,503	378,560
Net depreciation (appreciation) in fair value of investments	10,435,948	(1,630,155)
Permanently restricted contributions received	(189,652)	(121,720)
Change in value of annuity obligations	(12,638)	529,026
Changes in assets and liabilities:		
Contributions receivable	(1,244,194)	(122,761)
Accrued interest and other receivables	107,252	(90,610)
Trust investments held by others	294,644	(567,891)
Prepaid expenses	(52,054)	20,613
Accounts payable and accrued expenses	(161,474)	(131,150)
Amounts held for others	(676,425)	1,449,333
End-of-service liabilities	185,729	150,079
Net cash (used in) provided by operating activities	(1,035,078)	2,265,614
Cash flows from investing activities:		
Purchase of investments	(17,547,334)	(10,258,204)
Proceeds from sale of investments	18,448,660	7,686,918
Acquisition of fixed assets	(206,351)	(498,455)
Net cash provided by (used in) investing activities	694,975	(3,069,741)
Cash flows from financing activities:		
Permanently restricted contributions received	189,652	121,720
Proceeds of gift annuity contracts in excess of amounts recognized as contributions	595,240	634,765
Payments of annuity obligations	(915,215)	(751,413)
Net cash (used in) provided by financing activities	(130,323)	5,072
Net decrease in cash and cash equivalents	(470,426)	(799,055)
Cash and cash equivalents at beginning of year	4,033,536	4,832,591
Cash and cash equivalents at end of year	$ 3,563,110	4,033,536

See accompanying notes to consolidated financial statements.

(1) Description of Organization

Catholic Near East Welfare Association (CNEWA) is a special agency of the Holy See established to support the pastoral mission and institutions of the Catholic churches of the East and to provide humanitarian and pastoral assistance to the needy and afflicted without regard to nationality, race, or religion. It also has been entrusted by the Holy Father with responsibility for promoting the union of the Catholic and Orthodox churches and for fostering interreligious dialogue.

Although one corporate entity according to the canon law of the Catholic Church, CNEWA is also organized into as many related civil corporations as appropriate or as may be required by the law of the various countries in which it conducts its operations. The financial statements reflect the consolidated accounts of the following related civil corporations:

- **Catholic Near East Welfare Association.** CNEWA is incorporated under the provisions of Article 2 of the Religious Corporations Law of the State of New York. It has been classified by the U.S. Internal Revenue Service as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code) and is not a private foundation as described in Section 509(a) of the Code. Its financial statements include the accounts of its central office in Rome, its administrative headquarters office in New York, and its regional offices in Addis Ababa, Amman, Asmara, Beirut, Ernakulam, and Jerusalem.

- **CNEWA Canada.** CNEWA Canada is incorporated under the provisions of Part II of the Canada Corporations Act, R.S.C. 1970, Chapter C-32, as amended. It has been determined by the Canada Customs and Revenue Agency that CNEWA Canada is a charitable organization as set out under subsection 149.1.(1) of the Registered Charities and the Income Tax Act and qualifies for tax-exempt status as a registered charity under paragraph 149(1)(f) of the act.

- **CNEWA United States.** CNEWA United States is incorporated under the provisions of Section 402 of the Not-For-Profit Corporations Law of the State of New York. It has been classified by the U.S. Internal Revenue Service as exempt from federal income taxes under Section 501(c)(3) of the Code and is not a private foundation as described in Section 509(a) of the Code.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis. All significant intercompany transactions have been eliminated in consolidation.

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CNEWA and changes therein are classified and reported as follows:

(Continued)

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of CNEWA or the passage of time.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by CNEWA. Generally, the donors of these assets permit CNEWA to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled or the designated time period has elapsed) are reported as net assets released from restrictions.

(b) Contributions and Grants from Funding Agencies

Contributions and grants, including unconditional promises to give, if any, are recognized as revenues in the period received. Contributions receivable at December 31, 2008 were fully collected in 2009.

(c) Cash Equivalents

CNEWA considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents with the exception of cash and those short-term investments managed by CNEWA's investment managers for long-term investment purposes, and collateral account securing the Beirut office's microcredit project, which is included in investments.

(d) Investments

Investments are reported at fair value. Fair value for equities and fixed income securities is generally determined based on quoted market prices. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. CNEWA agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

CNEWA has interpreted civil law to allow the spending of income and gains on investments of permanently restricted net assets, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity. Civil law allows CNEWA to appropriate and spend such income and gains as is prudent, considering such factors as CNEWA's long- and short-term needs, present and anticipated financial requirements, expected total return on investments, price level trends and general economic conditions. Accordingly, such realized and unrealized gains and losses, as well as gains and losses on temporarily restricted net assets are reported as

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temporarily restricted or unrestricted based upon the presence or absence of donor stipulations as to their use.

(e) Fair Value Hierarchy

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements, also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair market value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities and alternative investments.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

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(f) New Accounting Pronouncements

Adoption of Statement of Financial Accounting Standards (SFAS No. 157), Fair Value Measurements

Effective January 1, 2008, CNEWA adopted SFAS No. 157. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This pronouncement does not require any new fair value measurements. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB statement No. 157, which defers the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are not disclosed at fair value in the financial statements on a recurring basis. The FSP did not defer the recognition and disclosure requirements for financial or nonfinancial assets and liabilities that are measured at least annually. In February 2008, CNEWA adopted FSP FAS 157-2. In October 2008, the FASB issued FSP FAS 157-3, Determining the Fair Value of a Financial Asset in a Market That Is Not Active. FSP FAS 157-3 was effective upon issuance, and applies to periods for which financial statements have not been issued. The FSP's guidance clarifies various application issues with respect to the objective of a fair value measurement, distressed transactions, relevance of observable data, and the use of management's assumptions, the effect of the adoption SFAS No. 157, FSP FAS 157-2 and 157-3 did not have a material effect on the changes in net assets or financial position of CNEWA.

Adoption of FASB Staff Position FAS 117-1 (FAS 117-1), Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for all Endowment Funds

In August 2008, FAS 117-1 was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of FAS 117-1 is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets or as temporarily restricted net assets until appropriated for expenditure. FAS 117-1 also improves the disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds). New York State has not yet adopted UPMIFA; however, for the year ended December 31, 2008, CNEWA adopted the disclosure requirements of FAS 117-1.

(g) Recent Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 addresses the accounting for uncertainties in income taxes recognized in an organization's financial statements and prescribes a threshold or more-likely-than-not for recognition and de-recognition of tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosures. CNEWA does not anticipate any significant impact to the organization's financial statements as a result of the adoption of FIN 48.

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(h) Fixed Assets

Fixed assets are capitalized at cost when purchased, or at fair value at the date of gift when donated. Depreciation and amortization are provided on a straight-line basis over the estimated useful lives of the assets.

(i) End-of-Service Liabilities

End-of-service liabilities represent amounts accrued for employees of certain CNEWA offices payable upon separation from their office in compliance with CNEWA policy and local statutory requirements.

(j) Functional Allocation of Expenses

The costs of providing the various programs and other activities of CNEWA have been summarized on a functional basis in the consolidated statement of activities. Accordingly, costs have been allocated among the programs and support services benefited.

(k) Split-Interest Agreements

CNEWA's split-interest agreements with donors consist primarily of charitable gift annuities and life income funds for which CNEWA serves as trustee. Split-interest related contribution revenue is recognized at the date the assets are received after recording liabilities for either (i) the present value of the estimated future payments to be made to the donors and/or other beneficiaries or (ii) the discount to present value for a term equal to the life expectancy of the donor for pooled life income fund gifts. These are adjusted annually for changes in the value of the assets, accretion of the discount, and other changes in the estimates of future benefits.

CNEWA is also the beneficiary of certain perpetual trusts and other split-interest agreements held and administered by others. The present value of the estimated future cash receipts from the trusts is recognized as an asset and as a contribution when CNEWA is notified the trusts have been established. Distributions from those trusts are recorded as investment income and the carrying value of the assets is adjusted annually for changes in the estimates of future cash receipts.

(l) Contributed Services

Support arising from contributed services of certain religious personnel has been recognized in the consolidated financial statements. The computation of the value of the contribution of these services represents the difference between the stipends and other amounts actually paid to or on behalf of these persons and the comparable compensation that normally would be paid to nonreligious personnel occupying these positions.

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(m) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Comparative Information

The 2008 consolidated statements of activities and functional expenses are presented with 2007 information in total but not by net asset class and functional classification, respectively. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with CNEWA's consolidated financial statements for the year ended December 31, 2007.

(o) Nonoperating Activities

All activity of CNEWA is recorded as operating activity, except for the acquisition of fixed assets, net of disposals, unrealized loss on investments, the change in value of the annuity obligations, as well as transfers between undesignated and designated unrestricted net assets categories, which are considered nonoperating activities.

(3) Investments

Investments, at fair value, consist of the following at December 31, 2008 and 2007:

	2008	2007
Cash and cash equivalents	$ 6,896,539	5,050,318
Notes and bonds	5,349,739	6,565,425
Stock equities	8,595,701	16,304,620
Mutual funds	2,077,094	6,029,424
Alternative investments	3,408,025	3,714,585
	$ 26,327,098	37,664,372

	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 6,896,539	6,896,539	-	-
Bonds, stocks and mutual funds	16,022,534	12,890,663	3,131,871	-
Alternative investments	3,408,025	-	-	3,408,025
	$ 26,327,098	19,787,202	3,131,871	3,408,025

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The following table presents a reconciliation for all Level 3 assets measured at fair market value for the period from January 1, 2008 to December 31, 2008:

	Level 3 Assets
Beginning balance January 1, 2008	$ 3,714,585
Total net unrealized losses	(588,178)
Purchases	281,618
Ending balance December 31, 2008	$ 3,408,025

Included in alternative investments are certain types of financial instruments including, among others, futures and forward contracts, options, and securities sold not yet purchased, intended to hedge against changes in the market value of investments. These financial instruments, which involve varying degrees of off-balance-sheet risk, may result in loss due to changes in the market (market risk).

Investments with a fair value of $8,258,366 and $8,471,325 including money market funds of $767,927 and $437,856 at December 31, 2008 and 2007, respectively, are maintained in segregated accounts in compliance with legislated reserve requirements for annuity contracts. In addition, cash in the amount of $155,384 and $179,195 held in accounts at the Bank of New York and accrued interest in the amount of $52,177 and $59,291 are segregated in the annuity fund at December 31, 2008 and 2007, respectively.

With respect to certain interests in alternative investments, CNEWA has committed to investing an additional $212,675 should such an amount be required.

The components of investment return for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Interest and dividends	$ 664,668	1,997,273
Net (depreciation) appreciation in fair value of investments	(10,435,948)	1,630,155
Investment expenses	(168,697)	(167,530)
	$ (9,939,977)	3,459,898

Trust investments held by others are all Level 1.

(Continued)

(4) Fixed Assets

At December 31, 2008 and 2007, the carrying values and estimated useful lives of fixed assets were as follows:

	Estimated useful life (years)	2008	2007
Leasehold improvements	20	$ 2,640,464	2,643,667
Furniture	10	867,964	864,646
Equipment	5	3,582,641	3,472,064
Vehicles	5	585,233	577,512
		7,676,302	7,557,889
Less accumulated depreciation and amortization		(6,495,700)	(6,229,135)
		$ 1,180,602	1,328,754

(5) Pension Plan

Substantially all of CNEWA's New York office employees participate in the noncontributory pension and retirement plan of the Archdiocese of New York. Because this is a multiemployer plan, information as to vested and nonvested earned benefits as well as plan assets, as they relate to CNEWA employees, is not readily available. Pension expense for the years ended December 31, 2008 and 2007 was $151,421 and $131,008, respectively.

(6) Leased Facilities

CNEWA's New York offices lease space in New York from the Ecclesiastical Assistance Corporation (EAC). The agreement is renewable annually, with annual rent based on a percentage of square footage occupied by CNEWA times the total operating expenses of EAC. Rent expense for the years ended December 31, 2008 and 2007 was $377,852 and $332,969, respectively.

The CNEWA offices in Addis Ababa, Amman, Asmara, Ernakulam, Jerusalem, and Ottawa have lease agreements renewable on an annual basis. Rent expense under these agreements for the years ended December 31, 2008 and 2007 was $91,791 and $67,008, respectively.

(Continued)

(7) Net Assets

Unrestricted net assets. CNEWA's unrestricted undesignated net assets are utilized for general operations. At December 31, 2008 and 2007 these unrestricted undesignated net assets consisted of the following:

	2008	2007
Current fund	$ 205,741	(604,560)
Annuity reserve fund	1,261,652	1,193,642
Pooled income fund	31,753	44,713
	$ 1,499,146	633,795

CNEWA's Board of Trustees has designated certain unrestricted net assets to function as endowments, which are adjusted periodically for inflation. Income earned on these net assets may be expended for the purposes designated by the Board of Trustees. At December 31, 2008 and 2007, these designated net assets consisted of the following:

	2008	2007
Family and needy child assistance fund	$ 1,334,979	3,413,771
Novice and professed religious formation fund	711,987	2,545,296
Seminarian and clergy formation fund	889,986	3,300,312
Pastoral and missionary projects fund	533,992	878,214
Educational and ecumenical activities fund	88,998	1,334,623
	$ 3,559,942	11,472,216

Changes in Board Designated net assets for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Board Designated net assets, beginning of year	$11,472,216	11,778,229
Investment return:		
Interest and dividend income	300,350	710,417
Net (depreciation) appreciation	(4,497,464)	728,778
Appropriation for underwater endowments and operations	(3,715,160)	(1,745,208)
Board Designated net assets, end of year	$ 3,559,942	11,472,216

CNEWA's unrestricted net investments in plant for the years ended December 31, 2008 and 2007 were $1,180,602 and $1,328,754.

(Continued)

Temporarily restricted net assets. CNEWA's temporarily restricted net assets at December 31, 2008 and 2007, consisted of the following:

	2008	2007
Pastoral support	$2,625,973	4,410,737
Humanitarian assistance	3,451,986	3,448,699
Interfaith communication	25,645	132,470
Public awareness	3,273	96
Multi-purposes	1,907,830	2,942,574
Total temporarily restricted net assets	$ 8,014,707	10,934,576

Permanently restricted net assets. CNEWA invests and manages a variety of permanent endowment funds in accordance with the instructions of the original donor or receives contributions from permanent endowment trust managed by others. These investments are held in perpetuity, the income from which is either unrestricted or restricted for specific purposes. At December 31, 2008 and 2007, these permanently restricted net assets consisted of the following:

	2008	2007
Pastoral support	$ 3,301,618	3,233,536
Humanitarian assistance	922,040	927,928
Interfaith communication	729,224	803,967
Multi-purposes	2,567,607	2,516,831
Total permanently restricted net assets	$ 7,520,489	7,482,262

Changes in permanently restricted net assets for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Permanently restricted net assets, beginning of year	$ 7,482,262	5,651,484
Interest and dividend income	-	73,381
Changes in the values of trusts	(121,174)	(44,252)
Contributions	189,652	1,801,649
Reclassification of restrictions	(30,251)	-
Permanently restricted net assets, end of year	$ 7,520,489	7,482,262

(Continued)

(8) Program Expenses

The following table summarizes the composition of pastoral support expenses for the years ended December 31, 2008 and 2007:

	2008	2007
Formation of priests	$ 1,784,250	1,888,955
Formation of sisters and brothers	587,166	612,176
Formation of laity	273,797	201,703
Supporting priestly ministry	425,759	497,905
Building religious institutions	2,808,435	3,076,198
Assisting the Holy See	1,361,724	1,597,233
	$ 7,241,131	7,874,170

The following table summarizes the composition of humanitarian assistance expenses for the years ended December 31, 2008 and 2007:

	2008	2007
Responding to urgent human needs	$ 812,842	914,673
Caring for needy children	4,445,861	4,044,905
Building social service institutions	3,803,051	4,056,569
Promoting social development	446,751	606,303
	$ 9,508,505	9,622,450

The following table summarizes the composition of public awareness expenses for the years ended December 31, 2008 and 2007:

	2008	2007
Publications	$ 1,292,123	1,293,027
World Wide Web sites	247,418	234,765
Educational and interfaith programs	215,959	215,282
	$ 1,755,500	1,743,074

Interfaith communication expenses for the years ended December 31, 2008 and 2007 were $956,237 and $863,989, respectively.