CATHOLIC NEAR EAST WELFARE ASSOCIATION

Consolidated Financial Statements

December 31, 2009

(With Independent Auditors' Report Thereon)

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, 2009, 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 2008 financial statements and, in our report dated July 20, 2009, 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, 2009, 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 15, 2010

CATHOLIC NEAR EAST WELFARE ASSOCIATION
Consolidated Statement of Financial Position
December 31, 2009
(with comparative amounts as of December 31, 2008)

Assets		2009	2008
Cash and cash equivalents	$	6,155,434	3,563,110
Contributions receivable		928,739	1,841,051
Accrued interest and other receivables		166,152	197,914
Prepaid expenses		148,453	160,074
Investments (note 3)		28,145,038	26,327,098
Trust investments held by others		1,107,061	1,022,334
Fixed assets, net (note 4)		1,249,575	1,180,602
Total assets	$	37,900,452	34,292,183
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued expenses	$	748,839	635,094
Annuities payable (note 3)		6,939,208	7,175,896
Amounts held for others		135,115	2,797,908
End-of-service liabilities		1,214,747	1,908,399
Total liabilities		9,037,909	12,517,297
Net assets:			
Unrestricted (note 7)			
Undesignated		4,772,329	1,499,146
Designated		5,339,845	3,559,942
Net investment in fixed assets		1,249,575	1,180,602
Total unrestricted		11,361,749	6,239,690
Temporarily restricted (note 7)		9,802,719	8,014,707
Permanently restricted (note 7)		7,698,075	7,520,489
Total net assets		28,862,543	21,774,886
Total liabilities and net assets	$	37,900,452	34,292,183

See accompanying notes to consolidated financial statements.

CATHOLIC NEAR EAST WELFARE ASSOCIATION

Consolidated Statement of Activities
Year ended December 31, 2009
(with comparative totals for the year ended December 31, 2008)

	Unrestricted		
	Undesignated	Designated	Plant
Operational revenue, gains, and other support:			
Contributions	$ 4,326,702	-	-
Grants from funding agencies	3,984	-	-
Collections	1,438,297	-	-
Legacies and bequests	5,495,163	-	-
Investment return net of unrealized gains (note 3)	(140,104)	(27,272)	-
Contributions in kind	8,243	-	-
Contributed services	346,340	-	-
	11,478,625	(27,272)	-
Net assets released from restrictions	12,748,857	-	-
Total operational revenue, gains, and other support	24,227,482	(27,272)	-
Operational expenses:			
Program services (note 8):			
Pastoral support	6,638,312	-	82,653
Humanitarian assistance	9,867,131	-	109,101
Interfaith communication	593,132	-	16,566
Public awareness	1,976,101	-	70,857
Total program services	19,074,676	-	279,177
Support services:			
Fund-raising	1,300,048	-	22,539
Management and general	458,218	-	61,054
Total support services	1,758,266	-	83,593
Total operational expenses	20,832,942	-	362,770
Increase (decrease) in net assets before non-operational activities	3,394,540	(27,272)	(362,770)
Non-operational activities:			
Acquisition of fixed assets	(431,743)	-	431,743
Unrealized gain (loss) on investments (note 3)	711,066	1,807,175	-
Change in value of annuity obligations	(400,680)	-	-
Increase (decrease) in net assets	3,273,183	1,779,903	68,973
Net assets at beginning of year	1,499,146	3,559,942	1,180,602
Net assets at end of year	$ 4,772,329	5,339,845	1,249,575

See accompanying notes to consolidated financial statements.

Total unrestricted	Temporarily restricted	Permanently restricted	2009 Total	2008 Total
4,326,702	8,637,942	8,975	12,973,619	13,253,337
3,984	3,966,395	-	3,970,379	2,482,991
1,438,297	-	-	1,438,297	1,562,334
5,495,163	244,732	135,267	5,875,162	5,154,862
(167,376)	530,129	-	362,753	(1,877,527)
8,243	-	-	8,243	16,017
346,340	-	-	346,340	497,676
11,451,353	13,379,198	144,242	24,974,793	21,089,690
12,748,857	(12,748,857)	-	-	-
24,200,210	630,341	144,242	24,974,793	21,089,690
6,720,965	-	-	6,720,965	7,241,131
9,976,232	-	-	9,976,232	9,508,505
609,698	-	-	609,698	956,237
2,046,958	-	-	2,046,958	1,755,500
19,353,853	-	-	19,353,853	19,461,373
1,322,587	-	-	1,322,587	1,689,247
519,272	-	-	519,272	1,965,975
1,841,859	-	-	1,841,859	3,655,222
21,195,712	-	-	21,195,712	23,116,595
3,004,498	630,341	144,242	3,779,081	(2,026,905)
-	-	-	-	-
2,518,241	1,157,671	33,344	3,709,256	(8,062,450)
(400,680)	-	-	(400,680)	12,638
5,122,059	1,788,012	177,586	7,087,657	(10,076,717)
6,239,690	8,014,707	7,520,489	21,774,886	31,851,603
11,361,749	9,802,719	7,698,075	28,862,543	21,774,886

CATHOLIC NEAR EAST WELFARE ASSOCIATION
Consolidated Statement of Functional Expenses
Year ended December 31, 2009
(with comparative totals for the year ended December 31, 2008)

	Program		
	Pastoral support	**Humanitarian assistance**	**Interfaith communication**
Awards and grants:			
Subsidies	$ 2,403,442	3,101,552	-
Project grants	2,585,277	4,019,174	368,308
Special awards	20,527	101,949	872
Total awards and grants	5,009,246	7,222,675	369,180
Operational expenses:			
Salaries and related expenses:			
Salaries	1,000,500	1,657,219	139,268
Employee benefits	197,025	342,689	21,386
Payroll taxes	68,810	96,638	7,181
Total salaries and related expenses	1,266,335	2,096,546	167,835
Other operational expenses:			
Professional fees and services	55,900	79,004	5,454
Occupancy	96,844	165,742	23,141
Consumable supplies	20,437	35,801	3,110
Telephone and cable	31,899	59,400	3,060
Printing	4,107	9,268	180
Postage and shipping	26,463	48,083	2,162
Travel	51,359	81,576	7,135
Administrative and miscellaneous	61,733	98,378	7,034
Insurance	13,956	26,901	4,841
(Loss) gain on currency conversion	32	(56,243)	-
Total other operational expenses	362,730	547,910	56,117
Total operational expenses	6,638,311	9,867,131	593,132
Depreciation and amortization	82,654	109,101	16,566
Total expenses	$ 6,720,965	9,976,232	609,698

See accompanying notes to consolidated financial statements.

Services		Support Services				
Public awareness	Total	Fund-raising	Management and general	Total	2009 Total	2008 Total
-	5,504,994	-	-	-	5,504,994	6,290,554
39,500	7,012,259	-	-	-	7,012,259	6,624,105
-	123,348	-	-	-	123,348	393,212
39,500	12,640,601	-	-	-	12,640,601	13,307,871
1,051,512	3,848,499	463,940	287,263	751,203	4,599,702	5,025,178
211,383	772,483	98,000	38,180	136,180	908,663	1,113,192
70,778	243,407	30,274	11,484	41,758	285,165	290,937
1,333,673	4,864,389	592,214	336,927	929,141	5,793,530	6,429,307
104,728	245,086	15,022	19,880	34,902	279,988	344,737
134,905	420,632	59,205	38,056	97,261	517,893	517,447
13,602	72,950	11,123	7,092	18,215	91,165	110,907
15,330	109,689	7,318	8,491	15,809	125,498	143,047
146,934	160,489	386,640	9,341	395,981	556,470	755,916
94,745	171,453	153,948	6,382	160,330	331,783	450,757
29,807	169,877	13,868	8,850	22,718	192,595	234,029
50,655	217,800	52,666	17,273	69,939	287,739	342,988
12,217	57,915	8,038	5,574	13,612	71,527	78,850
6	(56,205)	6	352	358	(55,847)	46,236
602,929	1,569,686	707,834	121,291	829,125	2,398,811	3,024,914
1,976,102	19,074,676	1,300,048	458,218	1,758,266	20,832,942	22,762,092
70,856	279,177	22,539	61,054	83,593	362,770	354,503
2,046,958	19,353,853	1,322,587	519,272	1,841,859	21,195,712	23,116,595

CATHOLIC NEAR EAST WELFARE ASSOCIATION

Consolidated Statement of Cash Flows

Year ended December 31, 2009

(with comparative amounts for the year ended December 31, 2008)

		2009	2008
Cash flows from operational activities:			
Increase (decrease) in net assets	$	7,087,657	(10,076,717)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operational activities:			
Depreciation and amortization		362,770	354,503
Net (appreciation) depreciation in fair value of investments		(3,351,815)	10,435,948
Permanently restricted contributions received		(144,242)	(189,652)
Change in value of annuity obligations		400,680	(12,638)
Changes in operational assets and liabilities:			
Contributions receivable		912,312	(1,244,194)
Accrued interest and other receivables		31,762	107,252
Trust investments held by others		(84,727)	294,644
Prepaid expenses		11,621	(52,054)
Accounts payable and accrued expenses		113,745	(161,474)
Amounts held for others		(2,662,793)	(676,425)
End-of-service liabilities		(693,652)	185,729
Net cash provided by (used in) operational activities		1,983,318	(1,035,078)
Cash flows from investing activities:			
Purchase of investments		(7,690,963)	(17,547,334)
Proceeds from sale of investments		9,224,838	18,448,660
Acquisition of fixed assets		(431,743)	(206,351)
Net cash provided by investing activities		1,102,132	694,975
Cash flows from financing activities:			
Permanently restricted contributions received		144,242	189,652
Proceeds of gift annuity contracts in excess of amounts recognized as contributions		286,041	595,240
Payments of annuity obligations		(923,409)	(915,215)
Net cash used in financing activities		(493,126)	(130,323)
Net increase (decrease) in cash and cash equivalents		2,592,324	(470,426)
Cash and cash equivalents at beginning of year		3,563,110	4,033,536
Cash and cash equivalents at end of year	$	6,155,434	3,563,110

See accompanying notes to consolidated financial statements.

CATHOLIC NEAR EAST WELFARE ASSOCIATION
Notes to Consolidated Financial Statements
December 31, 2009
(with comparative amounts as of and for the year ended December 31, 2008)

(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 India.** CNEWA India is a public, religious and charitable trust registered in the Ernakulam sub registry office, Kerala State, of the Republic of India. It is registered as a religious trust under Section 12AA of the Income Tax Act, 1961, by the Commissioner of Income Tax, Kochi, and registered under Section 6(1)(a) of the Foreign Contribution (Regulation) Act, 1976, by the Ministry of Home Affairs.

- **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:

<u>Unrestricted net assets</u> - Net assets that are not subject to donor-imposed stipulations.

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

<u>Permanently restricted net assets</u> - 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) New Accounting Pronouncements

- ***Accounting Standards Codification***
  In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 105-10, *The Financial Accounting Standards Board Accounting Standards Codification.* ASC 105-10 brings together and organizes all GAAP and designates GAAP into two levels, authoritative and non-authoritative. New FASB accounting standards are now issued as amendments to the ASC and referred to as Accounting Standards Updates. The adoption of ASC 105-10 had no significant impact on CNEWA's consolidated financial statements.

- ***Income Taxes***
  In 2009, CNEWA adopted Accounting Standards Update (ASU) 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities* in conjunction with its adoption of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (now included in Accounting Standards Codification (ASC Subtopic 740-10), CNEWA recognizes the effects of income tax positions only if those positions are more likely than not of being

sustained. There was no significant impact on CNEWA's consolidated financial statements as a result of the adoption of this standard.

- ***Subsequent Events***
  Effective December 31, 2009, CNEWA adopted ASC 855, *Subsequent Events.* ASC 855 establishes principles and requirements for subsequent event and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted account standards.

- ***Investments in Certain Entities That Calculate Net Asset Value per Share***
  In 2009, CNEWA adopted ASU 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* in accounting for its limited partnership investments. This guidance amends ASC No. 82010 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. In addition, classification of these investments within the fair value hierarchy is based on CNEWA's ability to timely redeem its interest rather than on valuation inputs.

(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 accounts securing the Beirut office's microcredit project, which are 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 temporarily restricted or unrestricted based upon the presence or absence of donor stipulations as to their use.

(e) *Fair Value Measurements*

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. CNEWA classifies its financial assets and liabilities that are measured at fair value, into the following hierarchy:

Level 1: Quoted prices in active markets for identical assets or liabilities.

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 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.

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.

(f) *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.

(g) *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.

(h) 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.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management of CNEWA to make a number of estimates and assumptions relating to the reporting of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions. Management adjusts such estimates when facts and circumstances dictate. Significant items subject to such estimates and assumptions include the useful lives and valuation of fixed assets; allowances for doubtful receivables; valuation of investments and split-interest agreements; and reserves for employee end of services, benefit obligations, uncertainties, and other contingencies. As future events and their effects cannot be determined with precision, actual results could differ from those estimates.

(j) 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, 2009 were fully collected in 2010.

(k) 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.

(l) Nonoperational Activities

All activity of CNEWA is recorded as operational activity, except for the acquisition of fixed assets, net of disposals, unrealized activity 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 nonoperational activities.

(m) Comparative Information

The 2009 consolidated statements of activities and functional expenses are presented with 2008 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, 2008.

(n) 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.

(o) Subsequent Events

In connection with the preparation of the consolidated financial statements and in accordance with the recently issued ASC 855 CNEWA evaluated subsequent events from the balance sheet date of December 31, 2009 through July 15, 2010 which was the date the consolidated financial statements were issued.

CATHOLIC NEAR EAST WELFARE ASSOCIATION
Notes to Consolidated Financial Statements
December 31, 2009
(with comparative amounts as of and for the year ended December 31, 2008)

(3) Investments

Investments, at fair value, consist of the following at December 31, 2009 and 2008:

	2009	2008
Cash and cash equivalents	$ 6,632,141	$ 6,898,357
U.S. Treasury, Government and corporate debt securities	6,088,630	5,192,395
Common and preferred stock	10,507,804	8,751,227
Mutual funds	3,238,698	2,077,094
Alternative investments	1,677,765	3,408,025
	$ 28,145,038	$ 26,327,098

	2009			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 6,632,141	$ 6,632,141	$ -	$ -
US Treasury, Government and corporate debt securities	6,088,630	2,264,930	3,823,700	-
Common and preferred stocks	10,507,804	10,507,804	-	-
Mutual funds	3,238,697	3,238,697	-	-
Alternative investments	1,677,766	-	1,038,037	639,729
	$ 28,145,038	$ 22,643,572	$ 4,861,737	$ 639,729

	2008			
	Fair Value	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 6,898,357	$ 6,898,357	$ -	$ -
US Treasury, Government and corporate debt securities	5,192,395	2,060,524	3,131,871	-
Common and preferred stocks	8,751,227	8,751,227	-	-
Mutual funds	2,077,094	2,077,094	-	-
Alternative investments	3,408,025	-	-	3,408,025
	$ 26,327,098	$ 19,787,202	$ 3,131,871	$ 3,408,025

Trust investments held by others are all Level 1 in the fair value hierarchy.

Level 3 assets measured at fair market value for the period from January 1 to December 31, 2009 and 2008 are reconciled as follows:

	2009 Level 3 Assets	2008 Level 3 Assets
Beginning balance	$ 3,408,025	$ 3,714,585
Purchases	27,000	281,618
Sales	(323,404)	-
Total net unrealized losses	(226,000)	(588,178)
Total net realized losses	(90,811)	-
Transfers to Level 2	(2,155,081)	-
Ending balance	$ 639,729	$ 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).

Total calculated reserves and related invested assets, maintained in segregated accounts in compliance with legislated requirements mandated by the laws of the states of California and New York for annuity contracts outstanding consist of the following at 31 December 2009 and 2008:

	2009		2008	
	California	New York	California	New York
Required reserves	$ 659,672	$ 6,907,490	$ 770,012	$ 6,726,178
Restricted assets:				
Stocks and bonds	921,755	7,317,010	739,177	6,730,485
Cash, mutual funds and other	64,448	405,261	64,367	931,986
	986,203	7,722,271	803,544	7,662,471
Assets, excess of reserves	$ 326,531	$ 814,781	$ 33,532	$ 936,293

In accord with the California Insurance Code, Section 11521, 50% of reserve funds are invested in individual U.S. treasury securities and the remaining 50% are invested according to CNEWA investment policies. As defined in the New York State Estates, Powers and Trusts Law, Section 11-2.3, assets are invested in accord with the "prudent investor" standard.

The components of investment return for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Interest and dividends	$ 833,650	$ 664,668
Net appreciation (depreciation) in fair value of investments	3,351,815	(10,435,948)
Investment expenses	(113,456)	(168,697)
	$ 4,072,009	$ (9,939,977)

The nature of investments in those alternative instruments that calculate net asset per share are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice period
Event driven hedge funds (a)	$ 122,038	$ -	quarterly	45 days
Multi-manager hedge funds (b)	292,236	-	quarterly	45 days
Small cap long/short-hedge funds (c)	306,732	-	quarterly	45 days
Merger arbitrage-hedge funds (d)	317,031	-	quarterly	45 days
In liquidation-hedge funds (e)	65,769	-	none	n/a
Private Equity funds-diversified (f)	434,160	212,675	none	n/a
Private Equity funds-international real estate (g)	139,800	-	none	n/a
Total	$ 1,677,766	$ 212,675		

(a) The majority of the capital invested in the category is typically allocated to merger and credit strategies, though the mix can vary widely. Special situation strategies typically constitute a minority of invested capital.

(b) This category includes investments in managers who further allocate capital to a select group of experienced hedge fund managers who provide diverse investment strategies. The investment process involves manager identification, due diligence, portfolio construction, risk management and monitoring and review. Portfolio construction is a qualitative and quantitative process.

(c) This category includes investments in hedge funds that invest both long and short primarily in U.S. companies with market capitalizations under $2.5 billion. The manager generally maintains a minimum short position of 30 percent of the invested long position.

(d) This category includes investment in managers who seek to achieve superior returns through investments in the securities of issuers that are the subject of cash tender offers, cash mergers, stock mergers, acquisition attempts, exchange offers, or to a lesser extent, other forms of corporate reorganizations. Portfolios typically consist of 70% U.S., 20% Canadian and 10% European positions while avoiding emerging markets. Total net exposure must be less than 100% of the fund's net asset value.

(e) This category includes investments in hedge funds that are currently in liquidation.

(f) This category includes investments in fund of fund managers who seek to invest in a diversified portfolio of private equity managers. The managers may also make direct equity investments not to exceed 30% of committed capital.

(g) This category includes investments in international real estate private equity managers who seek to invest in a diversified portfolio of international commercial real estate assets, real estate operating companies, distressed or undervalued credits and high-yield structures.

(4) Fixed Assets

At December 31, 2009 and 2008, the carrying values and estimated useful lives of fixed assets were as follows:

	Estimated useful life (years)	2009	2008
Leasehold improvements	20	$ 2,801,985	$ 2,640,464
Furniture	10	869,527	867,964
Equipment	5	3,681,648	3,582,641
Vehicles	5	531,130	585,233
		7,884,290	7,676,302
Less accumulated depreciation and amortization		(6,634,715)	(6,495,700)
		$ 1,249,575	$ 1,180,602

(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 multi-employer 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, 2009 and 2008 was $184,687 and $151,421, 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, 2009 and 2008 was $389,239 and $377,852, 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, 2009 and 2008 was $65,964 and $91,791, respectively.

(7) Net Assets

Unrestricted net assets. CNEWA's unrestricted undesignated net assets are utilized for general operations. At December 31, 2009 and 2008 these unrestricted undesignated net assets consisted of the following:

	2009	2008
Current funds	$ 2,969,786	$ 205,741
Annuity reserve funds	1,762,669	1,261,652
Pooled income funds	39,874	31,753
	$ 4,772,329	$ 1,499,146

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, 2009 and 2008, these designated net assets consisted of the following:

	2009	2008
Family and needy child assistance funds	$ 2,002,442	$ 1,334,979
Novice and professed religious formation funds	1,067,968	711,987
Seminarian and clergy formation funds	1,334,962	889,986
Pastoral and missionary projects funds	800,977	533,992
Educational and ecumenical activities funds	133,496	88,998
	$ 5,339,845	$ 3,559,942

Changes in Board Designated net assets for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Board Designated net assets, beginning of year	$ 3,559,942	$ 11,472,216
Investment return:		
Interest and dividend income	103,365	300,350
Net appreciation (depreciation)	991,263	(4,497,464)
Appropriation for underwater endowments and operations	685,275	(3,715,160)
Board Desginated net assets, end of year	$ 5,339,845	$ 3,559,942

CNEWA's unrestricted net investments in plant for the years ended December 31, 2009 and 2008 were $1,249,575 and $1,180,602.

Temporarily restricted net assets. CNEWA's temporarily restricted net assets at December 31, 2009 and 2008, consisted of the following:

	2009	2008
Pastoral support	$ 2,948,062	$ 2,625,973
Humanitarian assistance	4,466,571	3,451,986
Interfaith communication	204,915	25,645
Public awareness	21,797	3,273
Multi-purpose	2,161,374	1,907,830
Total temporarily restricted net assets	$ 9,802,719	$ 8,014,707

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, 2009 and 2008, these permanently restricted net assets consisted of the following:

	2009	2008
Pastoral support	$ 3,437,984	$ 3,301,618
Humanitarian assistance	934,038	922,040
Interfaith communication	729,224	729,224
Multi-purpose	2,596,829	2,567,607
Total permanently restricted net assets	$ 7,698,075	$ 7,520,489

Changes in permanently restricted net assets for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Permanently restricted net assets, beginning of year	$ 7,520,489	$ 7,482,262
Change in the value of trusts	33,344	(121,174)
Contributions	144,242	189,652
Change in donor intent	-	(30,251)
Total permanently restricted net assets	$ 7,698,075	$ 7,520,489

(8) Endowment Funds

CNEWA's endowment funds established include both donor-established endowment funds and funds designated by the board of trustees to be held as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the board of trustees to be held as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

CNEWA classifies as permanently restricted net assets (a) the original value of gifts constituting to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the directives of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund is classified as either unrestricted or temporarily restricted net assets depending upon donor's intent.

Annual spending authorizations from endowment funds are based on individual fund policies. The calculation is performed and the withdrawal request is proposed to the Secretary General.

The goal of CNEWA's endowment investment management is to maximize long-term total return through a combination of income and capital appreciation in a prudent manner consistent with sound investment practice. To achieve this goal, the endowment portfolio is divided into growth and fixed income components.

The following table presents the changes in the CNEWA's donor-established restricted endowment funds and funds designated by the board of trustees to be held as endowments for the years ended December 31, 2009 and 2008:

2009	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 3,559,942	-	7,520,489	11,080,431
Investment return:				
Interest and dividend	103,365	58,256	-	161,621
Net appreciation	1,676,538	805,080	33,344	2,514,962
Contributions	-	-	144,242	144,242
Other costs	-	(1,304)	-	(1,304)
Net assets, end of year	$ 5,339,845	862,032	7,698,075	13,899,952
Donor-restricted endowment funds	$ -	862,032	7,698,075	8,560,107
Board-designated endowment funds	5,339,845	-	-	5,339,845
Total funds	$ 5,339,845	862,032	7,698,075	13,899,952

2008	Unrestricted	Permanently restricted	Total
Endowment net assets, beginning of year	$ 11,472,216	7,482,262	18,954,478
Investment return:			
Interest and dividend	300,350	-	300,350
Net depreciation	(4,497,464)	(121,174)	(4,618,638)
Contributions	-	189,652	189,652
Appropriation of endowment assets for expenditures and other costs	(3,715,160)	(30,251)	(3,745,411)
Net assets, end of year	$ 3,559,942	7,520,489	11,080,431
Donor-restricted endowment funds	$ -	7,520,489	7,520,489
Board-designated endowment funds	3,559,942	-	3,559,942
Total funds	$ 3,559,942	7,520,489	11,080,431

(9) Program Services Expenses

The following tables summarize the composition of certain program services expense categories for the years ended December 31, 2009 and 2008:

Pastoral support:

	2009	2008
Forming clergy	$ 1,416,828	$ 1,784,250
Forming sisters and brothers	596,785	587,166
Forming lay leaders	167,172	273,797
Advancing religious institutions	2,946,375	2,808,435
Assisting the Holy See	1,213,044	1,361,724
Supporting priestly ministry	380,761	425,759
	$ 6,720,965	$ 7,241,131

Humanitarian assistance:

	2009	2008
Caring for needy children	$ 5,369,628	$ 4,445,861
Advancing social service institutions	3,043,895	3,803,051
Responding to urgent human needs	1,433,182	812,842
Promoting social development	129,527	446,751
	$ 9,976,232	$ 9,508,505

Public awareness:

	2009	2008
Preparing print publications	$ 899,304	$ 1,292,123
Sustaining internet presence	198,580	247,418
Supporting public awareness	949,074	215,959
	$ 2,046,958	$ 1,755,500

Interfaith communication expenses for the years ended December 31, 2009 and 2008 were $609,698 and $956,237, respectively.