



**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

**Consolidated Financial Statements**

**December 31, 2006**

**(With Independent Auditors' Report Thereon)**



KPMG LLP  
345 Park Avenue  
New York, NY 10154

## 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, 2006, 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 2005 financial statements and, in our report dated June 8, 2006, 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, 2006, 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 9, 2007

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

Consolidated Statement of Financial Position

December 31, 2006

(with comparative amounts as of December 31, 2005)

Assets	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 4,832,591	1,527,198
Contributions receivable	474,096	3,344,010
Accrued interest and other receivables	214,556	256,698
Prepaid expenses	128,633	186,042
Investments (note 3)	33,462,931	33,358,967
Trust investments held by others	749,087	749,800
Fixed assets (note 4)	<u>1,208,859</u>	<u>1,422,090</u>
 Total assets	 <u>\$ 41,070,753</u>	 <u>40,844,805</u>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 927,718	790,721
Annuities payable (note 3)	7,096,131	7,192,909
Amounts held for others	2,025,000	1,077,537
End-of-service liabilities	<u>1,572,591</u>	<u>1,374,212</u>
 Total liabilities	 <u>11,621,440</u>	 <u>10,435,379</u>
Net assets:		
Unrestricted (note 7):		
Undesignated	46,125	735,109
Designated	11,778,229	14,116,979
Net investment in plant	<u>1,208,859</u>	<u>1,422,090</u>
Total unrestricted	<u>13,033,213</u>	<u>16,274,178</u>
 Temporarily restricted (note 7)	 10,764,616	 8,794,341
Permanently restricted (note 7)	<u>5,651,484</u>	<u>5,340,907</u>
 Total net assets	 <u>29,449,313</u>	 <u>30,409,426</u>
 Total liabilities and net assets	 <u>\$ 41,070,753</u>	 <u>40,844,805</u>

See accompanying notes to consolidated financial statements.

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**  
Consolidated Statement of Activities  
Year ended December 31, 2006  
(with comparative totals for the year ended December 31, 2005)

	<b>Unrestricted</b>		
	<b>Undesignated</b>	<b>Designated</b>	<b>Plant</b>
Operating revenue, gains and other support:			
Contributions	\$ 3,845,219	-	-
Grants from funding agencies	42,251	-	-
World Mission Sunday collection	1,359,374	-	-
Legacies and bequests	3,036,114	-	-
Investment returns (note 3)	792,480	1,892,533	-
Contributions in kind	10,059	-	-
Contributed services	464,529	-	-
Gain/loss on currencies	22,981	-	-
	9,573,007	1,892,533	-
Net assets released from restrictions	13,045,483	-	-
Total operating revenue, gains and other support	22,618,490	1,892,533	-
Operating expenses:			
Program services:			
Pastoral support (note 8)	7,157,192	-	48,405
Humanitarian assistance (note 8)	13,028,158	-	83,333
Interfaith communication	980,305	-	11,630
Public awareness (note 8)	1,532,790	-	44,572
Total program services	22,698,445	-	187,940
Support services:			
Management and general	1,830,981	-	130,960
Fund-raising	2,395,885	-	26,430
Total support services	4,226,866	-	157,390
Total operating expenses	26,925,311	-	345,330
(Decrease) increase in net assets before nonoperating activities	(4,306,821)	1,892,533	(345,330)
Nonoperating activities:			
Acquisition of fixed assets	(132,099)	-	132,099
Change in value of annuity obligations	(481,347)	-	-
Transfer from designated net assets	4,231,283	(4,231,283)	-
(Decrease) increase in net assets	(688,984)	(2,338,750)	(213,231)
Net assets at beginning of year	735,109	14,116,979	1,422,090
Net assets at end of year	\$ 46,125	11,778,229	1,208,859

See accompanying notes to consolidated financial statements.

(Continued)

<u>Total unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2006 Total</u>	<u>2005 Total</u>
3,845,219	8,303,528	205,000	12,353,747	14,297,547
42,251	2,579,874	-	2,622,125	3,881,959
1,359,374	-	-	1,359,374	1,387,494
3,036,114	290,272	2,220	3,328,606	5,759,389
2,685,013	1,641,545	103,357	4,429,915	1,272,811
10,059	2,200,539	-	2,210,598	256,403
464,529	-	-	464,529	499,041
22,981	-	-	22,981	-
<u>11,465,540</u>	<u>15,015,758</u>	<u>310,577</u>	<u>26,791,875</u>	<u>27,354,644</u>
13,045,483	(13,045,483)	-	-	-
<u>24,511,023</u>	<u>1,970,275</u>	<u>310,577</u>	<u>26,791,875</u>	<u>27,354,644</u>
7,205,597	-	-	7,205,597	7,914,594
13,111,491	-	-	13,111,491	10,863,949
991,935	-	-	991,935	992,762
1,577,362	-	-	1,577,362	1,594,036
<u>22,886,385</u>	<u>-</u>	<u>-</u>	<u>22,886,385</u>	<u>21,365,341</u>
1,961,941	-	-	1,961,941	1,933,558
2,422,315	-	-	2,422,315	3,155,649
<u>4,384,256</u>	<u>-</u>	<u>-</u>	<u>4,384,256</u>	<u>5,089,207</u>
<u>27,270,641</u>	<u>-</u>	<u>-</u>	<u>27,270,641</u>	<u>26,454,548</u>
(2,759,618)	1,970,275	310,577	(478,766)	900,096
-	-	-	-	-
(481,347)	-	-	(481,347)	(567,080)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(3,240,965)	1,970,275	310,577	(960,113)	333,016
<u>16,274,178</u>	<u>8,794,341</u>	<u>5,340,907</u>	<u>30,409,426</u>	<u>30,076,410</u>
<u>13,033,213</u>	<u>10,764,616</u>	<u>5,651,484</u>	<u>29,449,313</u>	<u>30,409,426</u>

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**  
Consolidated Statement of Functional Expenses  
Year ended December 31, 2006  
(with comparative totals for the year ended December 31, 2005)

	<u>Program</u>		
	<u>Pastoral support</u>	<u>Humanitarian assistance</u>	<u>Interfaith communication</u>
Salaries and related expenses:			
Salaries	\$ 811,963	1,277,643	232,850
Employee benefits	187,812	298,655	41,336
Payroll taxes	57,262	98,928	8,937
Total salaries and related expenses	<u>1,057,037</u>	<u>1,675,226</u>	<u>283,123</u>
Other operating expenses:			
Professional fees and services	28,770	51,376	8,739
Occupancy	64,616	85,985	22,138
Consumable supplies	16,431	27,406	4,302
Postage and shipping	25,865	31,722	5,647
Telephone and cable	29,653	62,897	6,919
Printing	25,333	35,373	4,628
Travel	48,873	93,035	9,079
Insurance	8,672	21,681	4,821
Other office expenses	37,325	52,637	9,775
(Gain) loss on currency conversion	1,072	2,385	8
Total other operating expenses	<u>286,610</u>	<u>464,497</u>	<u>76,056</u>
Programmatic disbursements:			
Subsidies to institutions	2,953,468	3,683,875	-
Support for projects	2,765,791	7,068,579	621,126
Assistance to individuals	94,286	135,981	-
Total programmatic disbursements	<u>5,813,545</u>	<u>10,888,435</u>	<u>621,126</u>
Depreciation and amortization	<u>48,405</u>	<u>83,333</u>	<u>11,630</u>
Total expenses	<u>\$ 7,205,597</u>	<u>13,111,491</u>	<u>991,935</u>

See accompanying notes to consolidated financial statements.

<u>Services</u>		<u>Support Services</u>				
<u>Public awareness</u>	<u>Total</u>	<u>Management and general</u>	<u>Fund-raising</u>	<u>Total</u>	<u>2006 Total</u>	<u>2005 Total</u>
772,235	3,094,691	1,095,693	589,725	1,685,418	4,780,109	4,770,587
127,941	655,744	184,875	113,913	298,788	954,532	932,467
48,794	213,921	52,518	40,491	93,009	306,930	273,413
<u>948,970</u>	<u>3,964,356</u>	<u>1,333,086</u>	<u>744,129</u>	<u>2,077,215</u>	<u>6,041,571</u>	<u>5,976,467</u>
65,341	154,226	125,213	139,384	264,597	418,823	847,902
67,859	240,598	107,343	49,088	156,431	397,029	484,184
5,795	53,934	18,608	19,222	37,830	91,764	96,584
131,504	194,738	44,014	377,741	421,755	616,493	999,779
11,200	110,669	32,742	7,407	40,149	150,818	149,767
217,071	282,405	49,451	1,001,697	1,051,148	1,333,553	1,288,498
21,302	172,289	38,942	14,722	53,664	225,953	292,369
5,089	40,263	17,498	6,254	23,752	64,015	40,796
30,231	129,968	63,984	36,257	100,241	230,209	187,275
28	3,493	100	(16)	84	3,577	3,095
<u>555,420</u>	<u>1,382,583</u>	<u>497,895</u>	<u>1,651,756</u>	<u>2,149,651</u>	<u>3,532,234</u>	<u>4,390,249</u>
-	6,637,343	-	-	-	6,637,343	6,751,843
28,400	10,483,896	-	-	-	10,483,896	8,426,440
-	230,267	-	-	-	230,267	569,310
<u>28,400</u>	<u>17,351,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,351,506</u>	<u>15,747,593</u>
<u>44,572</u>	<u>187,940</u>	<u>130,960</u>	<u>26,430</u>	<u>157,390</u>	<u>345,330</u>	<u>340,239</u>
<u>1,577,362</u>	<u>22,886,385</u>	<u>1,961,941</u>	<u>2,422,315</u>	<u>4,384,256</u>	<u>27,270,641</u>	<u>26,454,548</u>

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**  
Consolidated Statement of Cash Flows  
Year ended December 31, 2006  
(with comparative totals for the year ended December 31, 2005)

	<u>2006</u>	<u>2005</u>
Cash flows from operating activities:		
Decrease/increase in net assets	\$ (960,113)	333,016
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	345,330	340,239
Net appreciation in fair value of investments	(3,132,300)	(354,339)
Permanently restricted contributions received	(207,220)	(122,066)
Change in value of annuity obligations	481,347	567,080
Change in assets and liabilities:		
Contributions receivable	2,869,914	(2,563,396)
Accrued interest and other receivables	42,142	69,666
Trust investments held by others	713	(749,800)
Prepaid expenses	57,409	(73,454)
Accounts payable and accrued expenses	136,997	(85,929)
Amounts held for others	947,463	40,706
End-of-service liabilities	198,379	212,152
	<u>780,061</u>	<u>(2,386,125)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities:		
Purchase of investments	(5,494,547)	(14,203,479)
Proceeds from sale of investments	8,522,883	17,116,658
Acquisition of fixed assets	(132,099)	(552,126)
	<u>2,896,237</u>	<u>2,361,053</u>
Net cash provided by investing activities		
Cash flows from financing activities:		
Permanently restricted contributions received	207,220	122,066
Proceeds of gift annuity contracts in excess of amounts recognized as contributions	252,228	704,216
Payments of annuity obligations	(830,353)	(824,151)
	<u>(370,905)</u>	<u>2,131</u>
Net cash (used in) provided by financing activities		
Net increase (decrease) in cash and cash equivalents	3,305,393	(22,941)
Cash and cash equivalents at beginning of year	<u>1,527,198</u>	<u>1,550,139</u>
Cash and cash equivalents at end of year	<u>\$ 4,832,591</u>	<u>1,527,198</u>

See accompanying notes to consolidated financial statements.



# CATHOLIC NEAR EAST WELFARE ASSOCIATION

Notes to Consolidated Financial Statements

December 31, 2006

(with comparative amounts as of and for the year ended December 31, 2005)

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

# CATHOLIC NEAR EAST WELFARE ASSOCIATION

Notes to Consolidated Financial Statements

December 31, 2006

(with comparative amounts as of and for the year ended December 31, 2005)

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:

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, 2006 were fully collected in 2007.

**(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 micro-credit 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.

## CATHOLIC NEAR EAST WELFARE ASSOCIATION

Notes to Consolidated Financial Statements

December 31, 2006

(with comparative amounts as of and for the year ended December 31, 2005)

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) 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.

**(f) 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.

**(g) 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 accompanying consolidated statement of activities. Accordingly, costs have been allocated among the programs and support services benefited.

**(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.

# CATHOLIC NEAR EAST WELFARE ASSOCIATION

## Notes to Consolidated Financial Statements

December 31, 2006

(with comparative amounts as of and for the year ended December 31, 2005)

**(i) Contributions in Kind**

Contributions in kind includes the participation of local partners and beneficiaries in grants of the United States Agency for International Development, including land, labor, material, equipment, and contracted construction costs at their fair market value.

**(j) Contributed Services**

Support arising from contributed services of certain religious personnel has been recognized in the accompanying 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.

**(k) 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.

**(l) Comparative Information**

The accompanying consolidated statements of activities and functional expenses include 2005 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, 2005.

**(m) Nonoperating Activities**

All activity of CNEWA is recorded as operating activity, except for the acquisition of fixed assets, net of disposals, 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.

**(n) Reclassification**

Certain prior year amounts have been reclassified to conform with the current year presentation.

# CATHOLIC NEAR EAST WELFARE ASSOCIATION

Notes to Consolidated Financial Statements

December 31, 2006

(with comparative amounts as of and for the year ended December 31, 2005)

## (3) Investments

Investments, at fair value, consist of the following at December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 3,960,449	2,271,101
Notes and bonds	6,403,503	7,313,528
Common stock	13,638,044	12,909,285
Mutual funds	5,012,021	4,116,286
Real estate investment trusts	448,865	2,116,296
Preferred stock	448,218	454,406
Alternative investments	3,550,013	4,176,247
Other	<u>1,818</u>	<u>1,818</u>
	<u>\$ 33,462,931</u>	<u>33,358,967</u>

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 \$8,295,736 and \$7,872,228 including money market funds of \$198,879 and \$188,832 at December 31, 2006 and 2005, respectively, are maintained in segregated accounts in compliance with New York Insurance Law reserve requirements for annuity contracts. In addition, cash in the amount of \$3,137 and \$86,709 held in accounts at the Bank of New York and accrued interest in the amount of \$50,506 and \$43,480 are segregated in the annuity fund at December 31, 2006 and 2005, respectively.

With respect to certain interests in alternative investments, CNEWA has committed to investing an additional \$254,869 should such an amount be required.

The components of investment return for the years ended December 31, 2006 and 2005 are as follows:

	<u>2006</u>	<u>2005</u>
Interest and dividends	\$ 1,481,652	1,124,268
Net appreciation in fair value of investments	3,132,300	354,339
Investment expenses	<u>(184,037)</u>	<u>(205,796)</u>
	<u>\$ 4,429,915</u>	<u>1,272,811</u>

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**  
Notes to Consolidated Financial Statements  
December 31, 2006  
(with comparative amounts as of and for the year ended December 31, 2005)

**(4) Fixed Assets**

At December 31, 2006 and 2005, the carrying values and estimated useful lives of fixed assets were as follows:

	<u>Estimated useful life (years)</u>	<u>2006</u>	<u>2005</u>
Leasehold improvements	20	\$ 2,345,818	2,346,747
Furniture	10	807,788	807,053
Equipment	5	3,442,361	3,316,914
Vehicles	5	<u>604,780</u>	<u>622,661</u>
		7,200,747	7,093,375
Less accumulated depreciation and amortization		<u>(5,991,888)</u>	<u>(5,671,285)</u>
		<u>\$ 1,208,859</u>	<u>1,422,090</u>

**(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, 2006 and 2005 was \$144,505 and \$72,308, 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, 2006 and 2005 was \$276,731 and \$264,935, 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, 2006 and 2005 was \$68,370 and \$58,213, respectively.

# CATHOLIC NEAR EAST WELFARE ASSOCIATION

## Notes to Consolidated Financial Statements

December 31, 2006

(with comparative amounts as of and for the year ended December 31, 2005)

### (7) Net Assets

**Unrestricted net assets.** CNEWA's unrestricted undesignated net assets are utilized for general operations. At December 31, 2006 and 2005 these unrestricted undesignated net assets consisted of the following:

	<u>2006</u>	<u>2005</u>
Current fund	\$(1,092,640)	(117,611)
Annuity reserve fund	1,098,925	818,614
Pooled income fund	39,840	34,106
	<u>\$ 46,125</u>	<u>735,109</u>

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, 2006 and 2005, these designated net assets consisted of the following:

	<u>2006</u>	<u>2005</u>
Family and needy child assistance fund	\$ 3,528,525	4,954,134
Novice and professed religious formation fund	2,606,499	2,758,404
Seminarian and clergy formation fund	3,376,815	3,448,005
Pastoral and missionary projects fund	924,116	1,611,635
Educational and ecumenical activities fund	1,342,274	1,344,801
	<u>\$11,778,229</u>	<u>14,116,979</u>

CNEWA's unrestricted net investments in plant for the years ended December 31, 2006 and 2005 were \$1,208,859 and \$1,422,090.

**Temporarily restricted net assets.** CNEWA's temporarily restricted net assets generally are classified by purpose and sometimes by donor, where the donor has established special purposes or management instructions. At December 31, 2006 and 2005, temporarily restricted net assets consisted of the following:

	<u>2006</u>	<u>2005</u>
<b>Pastoral Support</b>		
Pastoral support fund	\$ 152,035	186,465
Mass stipend fund	205,992	270,249
Seminarian fund	576,182	459,519
Gregorian Mass fund	1,782,471	1,498,513
Church in Need fund	15,784	17,545
Dos Remedios remainder trust fund	288,004	260,033
Harlan and Cora Grimes Mass fund	15,196	13,131
Rev. Paul Oslovich fund	4,601	3,874

## CATHOLIC NEAR EAST WELFARE ASSOCIATION

Notes to Consolidated Financial Statements

December 31, 2006

(with comparative amounts as of and for the year ended December 31, 2005)

Novice fund	123,237	-
Novice sponsorship support fund	140,646	-
Seminarian sponsorship support fund	129,488	-
Internationales Katholisches Missionswerk: Aachen fund	41,276	-
Secretariat of Solidarity fund	<u>8,306</u>	<u>11,659</u>
<b>Total pastoral support</b>	<b><u>\$ 3,483,218</u></b>	<b><u>2,720,988</u></b>
<b>Humanitarian Assistance</b>		
Humanitarian assistance fund	\$ 479,478	198,006
Ephpheta Institute fund	-	5,825
Micro-credit fund	741,711	611,813
Middle East Scholarship fund	194,401	142,449
Tsunami relief fund	3,093	780,617
Caritas Switzerland fund	-	117,509
Eleanor C. Higgins fund	7,558	6,468
First Disciples Medical School fund	10,151	8,655
Goetz foundation fund	17,454	-
Internationales Katholisches Missionswerk: Munchen fund	46,785	45,145
Kinderhilfe Bethlehem fund	26,785	26,086
Lavelle Fund for the Blind fund	30,914	70,693
Needy child sponsorship support fund	425,696	-
Porticus Stichting fund	11,976	95
Roy D. Pucci fund # 1	1,440	1,235
Roy D. Pucci fund # 2	8,383	7,168
Holy Land relief fund	20,613	-
Iraqi relief fund	5,200	-
Jordan Christians fund	58,556	-
Lebanese relief fund	892,564	-
Needy child fund	68,954	-
USAID fund	<u>11,550</u>	<u>14,864</u>
<b>Total humanitarian assistance</b>	<b><u>\$ 3,063,262</u></b>	<b><u>2,036,628</u></b>
<b>Interfaith Communication</b>		
Interfaith communication fund	\$ 18,926	34,891
Ut Unum Sint awards fund	<u>79,577</u>	<u>-</u>
<b>Total interfaith communication</b>	<b><u>\$ 98,503</u></b>	<b><u>34,891</u></b>
<b>Public Awareness fund</b>	<b><u>\$ 25,719</u></b>	<b><u>26,250</u></b>
<b>Multi-Purposes</b>		
Designated gift fund	\$ 107,450	281,178
Endowment gift fund	148,749	212,649
On account fund	47,791	99,691
Archdiocese of Cologne fund	10,543	-
Abraham fund	3,187,879	2,922,420
Bennett Family trust fund	120,822	110,340
Blersch trust fund	89,537	-
Bischofliches Hilfswerk Misereor fund	14,699	164,442



**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

Notes to Consolidated Financial Statements

December 31, 2006

(with comparative amounts as of and for the year ended December 31, 2005)

Byrne Testamentary trust fund	13,807	26,088
EOHSJ fund	219,512	-
Ukraine fund	5,994	-
Ethiopia/Eritrea fund	93,355	-
Margaret L. M. Keenan trust fund	<u>33,776</u>	<u>158,776</u>
Total multi-purposes	\$ <u>4,093,914</u>	<u>3,975,584</u>
Total temporarily restricted net assets	\$ <u>10,764,616</u>	<u>8,794,341</u>

**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. At December 31, 2006 and 2005, these permanently restricted net assets consisted of the following:

	<u>2006</u>	<u>2005</u>
<b>Pastoral Support</b>		
Williston J. Farrington fund	\$ 336,675	336,675
James H. Finegan Memorial fund	10,000	10,000
Phyllis C. Fons fund	50,000	50,000
Msgr. William Furlong fund	108,963	108,963
Phil Madeline Seminararian fund	50,000	50,000
Rev. Allen Maloof fund # 1	15,000	15,000
Rev. Allen Maloof fund # 2	58,613	58,613
Mass fund	202,117	202,117
McMahon Family Memorial fund	295,989	280,108
Helen Merrigan Memorial fund	11,633	11,633
Msgr. John Naffah Scholarship fund	157,392	149,320
Margaret O'Donnell fund	110,000	110,000
Catherine Palazzolo Needy Child fund	14,678	13,925
Bishop John L. Paschang fund	20,000	20,000
Seminararian fund	1,603,084	1,603,084
John and Bridget Kelly Sullivan fund	25,770	25,770
Zayek Family Mass fund	<u>10,000</u>	<u>10,000</u>
Total pastoral support	\$ <u>3,079,914</u>	<u>3,055,208</u>
<b>Humanitarian Assistance</b>		
Jamileh Bandak Scholarship fund	\$ 11,980	11,980
Eissa A. Bateh & Brothers Foundation fund	102,500	97,500
Eva G. Beier fund	2,000	2,000
St. John Baptist de la Salle Scholarship fund	10,000	10,000
Felicetta D'Onofrio fund # 1	111,396	-
Felicetta D'Onofrio fund # 2	100,000	-
Frances W. and Oliver T. Devine Perpetual University Scholarship fund	275,908	275,908
Maroun Hayek fund	11,197	11,197
Leonard and Eustelle Hudson Charitable trust fund	51,786	49,105
Frank and Elizabeth Jungers Memorial fund	33,000	33,000

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

Notes to Consolidated Financial Statements

December 31, 2006

(with comparative amounts as of and for the year ended December 31, 2005)

Peter Kuntz Sr. Family Foundation fund	17,000	17,000
Bro. Robert Lussier fund	5,000	5,000
Azeez Shaheen fund	176,432	176,432
Ernest Williams Needy Child fund	<u>3,000</u>	<u>3,000</u>
Total humanitarian assistance	\$ <u>911,199</u>	<u>692,122</u>
<b>Interfaith Communication</b>		
Ut Unum Sint fund	\$ <u>750,721</u>	<u>720,065</u>
Total interfaith communication	\$ <u>750,721</u>	<u>720,065</u>
<b>Multi-Purposes</b>		
Bottini Family Memorial fund	\$ 70,720	68,500
John, Josephine and Mary Coates Permanent Multi-Use fund	25,883	25,883
The Father Edward F. Collins Charitable trust fund	306,607	283,913
Edward and Justine Hager Memorial fund	60,418	60,418
Jobo Family Endowment fund	75,000	75,000
Jane, Karl and Claire Manz Memorial fund	25,000	25,000
Clifford T. Niedzielski fund	213,270	213,220
Jack and Marguerite E. Sander trust fund	<u>132,752</u>	<u>121,578</u>
Total multi-purposes	\$ <u>909,650</u>	<u>873,512</u>
 Total permanently restricted net assets	 \$ <u>5,651,484</u>	 <u>5,340,907</u>

**(8) Program Expenses**

The following table summarizes the composition of pastoral support expenses for the years ended December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Formation of priests	\$ 1,984,086	3,244,814
Formation of sisters and brothers	638,796	676,222
Formation of laity	205,223	171,839
Supporting priestly ministry	487,906	438,629
Building religious institutions	2,413,151	1,836,598
Assisting the Holy See	<u>1,476,435</u>	<u>1,546,492</u>
	\$ <u>7,205,597</u>	<u>7,914,594</u>

# CATHOLIC NEAR EAST WELFARE ASSOCIATION

## Notes to Consolidated Financial Statements

December 31, 2006

(with comparative amounts as of and for the year ended December 31, 2005)

The following table summarizes the composition of humanitarian assistance expenses for the years ended December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Responding to urgent human needs	\$ 2,064,504	1,756,488
Caring for needy children	3,822,782	4,267,283
Building social service institutions	3,916,294	2,029,873
Promoting social development	<u>3,307,911</u>	<u>2,810,305</u>
	<u>\$13,111,491</u>	<u>10,863,949</u>

The following table summarizes the composition of public awareness expenses for the years ended December 31, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Publications	\$ 1,170,070	1,456,141
World Wide Web sites	201,050	86,395
Educational and interfaith programs	<u>206,242</u>	<u>51,500</u>
	<u>\$ 1,577,362</u>	<u>1,594,036</u>

Interfaith communication expenses for the years ended December 31, 2006 and 2005 were \$991,935 and \$992,762.

