



**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

**Consolidated Financial Statements**

**December 31, 2007**

**(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, 2007, 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 2006 financial statements and, in our report dated July 9, 2007, 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, 2007, 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**

May 29, 2008

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

## Consolidated Statement of Financial Position

December 31, 2007

(with comparative amounts as of December 31, 2006)

<b>Assets</b>	<u><b>2007</b></u>	<u><b>2006</b></u>
Cash and cash equivalents	\$ 4,033,536	4,832,591
Contributions receivable	596,857	474,096
Accrued interest and other receivables	305,166	214,556
Prepaid expenses	108,020	128,633
Investments (note 3)	37,664,372	33,462,931
Trust investments held by others	1,316,978	749,087
Fixed assets (note 4)	<u>1,328,754</u>	<u>1,208,859</u>
 Total assets	 <u>\$ 45,353,683</u>	 <u>41,070,753</u>
 <b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 796,568	927,718
Annuities payable (note 3)	7,508,509	7,096,131
Amounts held for others	3,474,333	2,025,000
End-of-service liabilities	<u>1,722,670</u>	<u>1,572,591</u>
 Total liabilities	 <u>13,502,080</u>	 <u>11,621,440</u>
Net assets:		
Unrestricted (note 7)		
Undesignated	633,795	46,125
Designated	11,472,216	11,778,229
Net investment in fixed assets	<u>1,328,754</u>	<u>1,208,859</u>
Total unrestricted	13,434,765	13,033,213
 Temporarily restricted (note 7)	 10,934,576	 10,764,616
Permanently restricted (note 7)	<u>7,482,262</u>	<u>5,651,484</u>
 Total net assets	 <u>31,851,603</u>	 <u>29,449,313</u>
 Total liabilities and net assets	 <u>\$ 45,353,683</u>	 <u>41,070,753</u>

See accompanying notes to consolidated financial statements.

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

Consolidated Statement of Activities

Year ended December 31, 2007

(with comparative totals for the year ended December 31, 2006)

	<u>Unrestricted</u>		
	<u>Undesignated</u>	<u>Designated</u>	<u>Plant</u>
Operating revenue, gains, and other support:			
Contributions	\$ 5,160,774	-	-
Grants from funding agencies	86,718	-	-
U.S. World Mission Sunday collection	1,467,183	-	-
Legacies and bequests	2,931,874	-	-
Investment returns (note 3)	709,953	1,439,340	-
Contributions in kind	12,411	-	-
Contributed services	537,997	-	-
Gain (loss) on currencies	-	-	-
	<u>10,906,910</u>	<u>1,439,340</u>	<u>-</u>
Net assets released from restrictions and redesignation	11,852,439	-	-
Total operating revenue, gains, and other support	<u>22,759,349</u>	<u>1,439,340</u>	<u>-</u>
Operating expenses:			
Program services (note 8):			
Pastoral support	7,811,562	-	62,608
Humanitarian assistance	9,524,816	-	97,634
Interfaith communication	846,238	-	17,751
Public awareness	1,684,533	-	58,541
Total program services	<u>19,867,149</u>	<u>-</u>	<u>236,534</u>
Support services:			
Management and general	1,745,534	145	142,026
Fund-raising	1,276,723	-	-
Total support services	<u>3,022,257</u>	<u>145</u>	<u>142,026</u>
Total operating expenses	<u>22,889,406</u>	<u>145</u>	<u>378,560</u>
(Decrease) increase in net assets before nonoperating activities	(130,057)	1,439,195	(378,560)
Nonoperating activities:			
Acquisition of fixed assets	(498,455)	-	498,455
Change in value of annuity obligations	(529,026)	-	-
Transfer from designated net assets	1,745,208	(1,745,208)	-
Increase (decrease) increase in net assets	587,670	(306,013)	119,895
Net assets at beginning of year	<u>46,125</u>	<u>11,778,229</u>	<u>1,208,859</u>
Net assets at end of year	<u>\$ 633,795</u>	<u>11,472,216</u>	<u>1,328,754</u>

See accompanying notes to consolidated financial statements.

(Continued)

<u>Total unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
5,160,774	8,905,668	121,720	14,188,162	12,353,747
86,718	3,236,818	-	3,323,536	2,622,125
1,467,183	-	-	1,467,183	1,359,374
2,931,874	278,366	-	3,210,240	3,328,606
2,149,293	1,281,476	29,129	3,459,898	4,429,915
12,411	-	-	12,411	2,210,598
537,997	-	-	537,997	464,529
-	-	-	-	22,981
<u>12,346,250</u>	<u>13,702,328</u>	<u>150,849</u>	<u>26,199,427</u>	<u>26,791,875</u>
<u>11,852,439</u>	<u>(13,532,368)</u>	<u>1,679,929</u>	<u>-</u>	<u>-</u>
<u>24,198,689</u>	<u>169,960</u>	<u>1,830,778</u>	<u>26,199,427</u>	<u>26,791,875</u>
7,874,170	-	-	7,874,170	7,205,597
9,622,450	-	-	9,622,450	13,111,491
863,989	-	-	863,989	991,935
1,743,074	-	-	1,743,074	1,577,362
<u>20,103,683</u>	<u>-</u>	<u>-</u>	<u>20,103,683</u>	<u>22,886,385</u>
1,887,705	-	-	1,887,705	1,961,941
1,276,723	-	-	1,276,723	2,422,315
<u>3,164,428</u>	<u>-</u>	<u>-</u>	<u>3,164,428</u>	<u>4,384,256</u>
<u>23,268,111</u>	<u>-</u>	<u>-</u>	<u>23,268,111</u>	<u>27,270,641</u>
930,578	169,960	1,830,778	2,931,316	(478,766)
-	-	-	-	-
(529,026)	-	-	(529,026)	(481,347)
-	-	-	-	-
401,552	169,960	1,830,778	2,402,290	(960,113)
<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>
<u>13,434,765</u>	<u>10,934,576</u>	<u>7,482,262</u>	<u>31,851,603</u>	<u>29,449,313</u>

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

Consolidated Statement of Functional Expenses

Year ended December 31, 2007

(with comparative totals for the year ended December 31, 2006)

	<b>Program</b>		
	<b>Pastoral support</b>	<b>Humanitarian assistance</b>	<b>Interfaith communication</b>
<b>Salaries and related expenses:</b>			
Salaries	\$ 1,026,181	1,274,821	252,116
Employee benefits	260,015	333,105	42,476
Payroll taxes	77,109	91,099	12,366
Total salaries and related expenses	1,363,305	1,699,025	306,958
<b>Other operating expenses:</b>			
Professional fees and services	31,064	52,388	5,948
Occupancy	98,757	112,090	27,046
Consumable supplies	19,064	29,474	4,193
Postage and shipping	26,997	27,771	5,330
Telephone and cable	33,472	62,179	3,935
Printing	2,969	4,764	709
Administrative and miscellaneous	38,525	57,101	6,573
Travel	57,376	85,305	6,689
Insurance	8,372	21,651	2,829
(Gain) loss on currency conversion	(428)	(27,967)	79
(Gain) loss on disposal of assets	(5,460)	(8,010)	(210)
Total other operating expenses	310,708	416,746	63,121
<b>Programmatic disbursements:</b>			
Subsidies to institutions	2,968,272	3,724,735	-
Support for projects	3,077,270	3,538,853	476,160
Assistance to individuals	92,006	145,457	-
Total programmatic disbursements	6,137,548	7,409,045	476,160
Depreciation and amortization	62,609	97,634	17,750
Total expenses	\$ 7,874,170	9,622,450	863,989

See accompanying notes to consolidated financial statements.

Services		Support Services				
Public awareness	Total	Management and general	Fund-raising	Total	2007 Total	2006 Total
849,512	3,402,630	1,124,615	377,724	1,502,339	4,904,969	4,780,109
126,004	761,600	156,506	60,421	216,927	978,527	954,532
52,125	232,699	48,757	26,591	75,348	308,047	306,930
<u>1,027,641</u>	<u>4,396,929</u>	<u>1,329,878</u>	<u>464,736</u>	<u>1,794,614</u>	<u>6,191,543</u>	<u>6,041,571</u>
71,012	160,412	107,760	34,202	141,962	302,374	418,823
103,433	341,326	121,716	21,752	143,468	484,794	397,029
7,400	60,131	21,993	26,362	48,355	108,486	91,764
139,484	199,582	34,955	237,571	272,526	472,108	616,493
9,102	108,688	26,572	8,873	35,445	144,133	150,818
219,908	228,350	4,445	421,022	425,467	653,817	1,333,553
34,173	136,372	61,133	45,796	106,929	243,301	230,209
20,417	169,787	32,045	9,927	41,972	211,759	225,953
4,068	36,920	13,839	6,457	20,296	57,216	64,015
(105)	(28,421)	(8,657)	25	(8,632)	(37,053)	3,577
-	(13,680)	-	-	-	(13,680)	-
<u>608,892</u>	<u>1,399,467</u>	<u>415,801</u>	<u>811,987</u>	<u>1,227,788</u>	<u>2,627,255</u>	<u>3,532,234</u>
-	6,693,007	-	-	-	6,693,007	6,637,343
48,000	7,140,283	-	-	-	7,140,283	10,483,896
-	237,463	-	-	-	237,463	230,267
<u>48,000</u>	<u>14,070,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,070,753</u>	<u>17,351,506</u>
58,541	236,534	142,026	-	142,026	378,560	345,330
<u>1,743,074</u>	<u>20,103,683</u>	<u>1,887,705</u>	<u>1,276,723</u>	<u>3,164,428</u>	<u>23,268,111</u>	<u>27,270,641</u>

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

Consolidated Statement of Cash Flows

Year ended December 31, 2007

(with comparative totals for the year ended December 31, 2006)

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 2,402,290	(960,113)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	378,560	345,330
Net appreciation in fair value of investments	(1,630,155)	(3,132,300)
Permanently restricted contributions received	(121,720)	(207,220)
Change in value of annuity obligations	529,026	481,347
Changes in assets and liabilities:		
Contributions receivable	(122,761)	2,869,914
Accrued interest and other receivables	(90,610)	42,142
Trust investments held by others	(567,891)	713
Prepaid expenses	20,613	57,409
Accounts payable and accrued expenses	(131,150)	136,997
Amounts held for others	1,449,333	947,463
End-of-service liabilities	150,079	198,379
	<u>2,265,614</u>	<u>780,061</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of investments	(10,258,204)	(5,494,547)
Proceeds from sale of investments	7,686,918	8,522,883
Acquisition of fixed assets	(498,455)	(132,099)
	<u>(3,069,741)</u>	<u>2,896,237</u>
Net cash (used in) provided by investing activities		
Cash flows from financing activities:		
Permanently restricted contributions received	121,720	207,220
Proceeds of gift annuity contracts in excess of amounts recognized as contributions	634,765	252,228
Payments of annuity obligations	(751,413)	(830,353)
	<u>5,072</u>	<u>(370,905)</u>
Net cash provided by (used in) financing activities		
Net (decrease) increase in cash and cash equivalents	(799,055)	3,305,393
Cash and cash equivalents at beginning of year	<u>4,832,591</u>	<u>1,527,198</u>
Cash and cash equivalents at end of year	<u>\$ 4,033,536</u>	<u>4,832,591</u>

See accompanying notes to consolidated financial statements.



# CATHOLIC NEAR EAST WELFARE ASSOCIATION

Notes to Consolidated Financial Statements

December 31, 2007

(with comparative amounts as of and for the year ended December 31, 2006)

## (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.

# CATHOLIC NEAR EAST WELFARE ASSOCIATION

Notes to Consolidated Financial Statements

December 31, 2007

(with comparative amounts as of and for the year ended December 31, 2006)

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, 2007 were fully collected in 2008.

**(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.

# CATHOLIC NEAR EAST WELFARE ASSOCIATION

## Notes to Consolidated Financial Statements

December 31, 2007

(with comparative amounts as of and for the year ended December 31, 2006)

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 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, 2007

(with comparative amounts as of and for the year ended December 31, 2006)

**(i) 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.

**(j) 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.

**(k) Comparative Information**

The 2007 consolidated statements of activities and functional expenses are presented with 2006 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, 2006.

**(l) 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.

**(m) Redesignation**

During 2007, a donor redesignated some of his contributions from temporarily restricted to permanently restricted.

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

Notes to Consolidated Financial Statements

December 31, 2007

(with comparative amounts as of and for the year ended December 31, 2006)

**(3) Investments**

Investments, at fair value, consist of the following at December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Cash and cash equivalents	\$ 5,050,318	3,960,449
Notes and bonds	6,288,394	6,403,503
Common stock	15,952,418	13,638,044
Mutual funds	6,029,424	5,012,021
Real estate investment trusts	352,202	450,683
Preferred stock	277,031	448,218
Alternative investments	<u>3,714,585</u>	<u>3,550,013</u>
	<u>\$ 37,664,372</u>	<u>33,462,931</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 \$8,471,325 and \$8,295,736 including money market funds of \$437,856 and \$198,879 at December 31, 2007 and 2006, 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 \$179,195 and \$3,137 held in accounts at the Bank of New York and accrued interest in the amount of \$59,291 and \$50,506 are segregated in the annuity fund at December 31, 2007 and 2006, respectively.

With respect to certain interests in alternative investments, CNEWA has committed to investing an additional \$238,273 should such an amount be required.

The components of investment return for the years ended December 31, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Interest and dividends	\$ 1,997,273	1,481,652
Net appreciation in fair value of investments	1,630,155	3,132,300
Investment expenses	<u>(167,530)</u>	<u>(184,037)</u>
	<u>\$ 3,459,898</u>	<u>4,429,915</u>

# CATHOLIC NEAR EAST WELFARE ASSOCIATION

## Notes to Consolidated Financial Statements

December 31, 2007

(with comparative amounts as of and for the year ended December 31, 2006)

### (4) Fixed Assets

At December 31, 2007 and 2006, the carrying values and estimated useful lives of fixed assets were as follows:

	Estimated useful life (years)	2007	2006
Leasehold improvements	20	\$ 2,643,667	2,345,818
Furniture	10	864,646	807,788
Equipment	5	3,472,064	3,442,361
Vehicles	5	<u>577,512</u>	<u>604,780</u>
		7,557,889	7,200,747
Less accumulated depreciation and amortization		<u>(6,229,135)</u>	<u>(5,991,888)</u>
		<u>\$ 1,328,754</u>	<u>1,208,859</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, 2007 and 2006 was \$131,008 and \$144,505, 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, 2007 and 2006 was \$332,969 and \$276,731, 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, 2007 and 2006 was \$67,008 and \$68,370, respectively.

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

Notes to Consolidated Financial Statements

December 31, 2007

(with comparative amounts as of and for the year ended December 31, 2006)

**(7) Net Assets**

**Unrestricted net assets.** CNEWA's unrestricted undesignated net assets are utilized for general operations. At December 31, 2007 and 2006 these unrestricted undesignated net assets consisted of the following:

	<u>2007</u>	<u>2006</u>
Current fund	\$ (604,560)	(1,092,640)
Annuity reserve fund	1,193,642	1,098,925
Pooled income fund	<u>44,713</u>	<u>39,840</u>
	<u>\$ 633,795</u>	<u>46,125</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, 2007 and 2006, these designated net assets consisted of the following:

	<u>2007</u>	<u>2006</u>
Family and needy child assistance fund	\$ 3,413,771	3,528,525
Novice and professed religious formation fund	2,545,296	2,606,499
Seminarian and clergy formation fund	3,300,312	3,376,815
Pastoral and missionary projects fund	878,214	924,116
Educational and ecumenical activities fund	<u>1,334,623</u>	<u>1,342,274</u>
	<u>\$11,472,216</u>	<u>11,778,229</u>

CNEWA's unrestricted net investments in plant for the years ended December 31, 2007 and 2006 were \$1,328,754 and \$1,208,859.

**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, 2007 and 2006, temporarily restricted net assets consisted of the following:

	<u>2007</u>	<u>2006</u>
Pastoral support	\$ 4,410,737	3,483,218
Humanitarian assistance	3,448,699	3,063,262
Interfaith communication	132,470	98,503
Public Awareness	96	25,719
Multi-Purposes	<u>2,942,574</u>	<u>4,093,914</u>
Total temporarily restricted net assets	<u>\$10,934,576</u>	<u>10,764,616</u>

**CATHOLIC NEAR EAST WELFARE ASSOCIATION**

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(with comparative amounts as of and for the year ended December 31, 2006)

**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, 2007 and 2006, these permanently restricted net assets consisted of the following:

	<u>2007</u>	<u>2006</u>
Pastoral support	\$ 3,233,536	3,079,914
Humanitarian assistance	927,928	911,199
Interfaith communication	803,967	750,721
Multi-Purposes	<u>2,516,831</u>	<u>909,650</u>
 Total permanently restricted net assets	 <u>\$ 7,482,262</u>	 <u>5,651,484</u>

**(8) Program Expenses**

The following table summarizes the composition of pastoral support expenses for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Formation of priests	\$ 1,888,955	1,984,086
Formation of sisters and brothers	612,176	638,796
Formation of laity	201,703	205,223
Supporting priestly ministry	497,905	487,906
Building religious institutions	3,076,198	2,413,151
Assisting the Holy See	<u>1,597,233</u>	<u>1,476,435</u>
	<u>\$ 7,874,170</u>	<u>7,205,597</u>

The following table summarizes the composition of humanitarian assistance expenses for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Responding to urgent human needs	\$ 914,673	2,064,504
Caring for needy children	4,044,905	3,822,782
Building social service institutions	4,056,569	3,916,294
Promoting social development	<u>606,303</u>	<u>3,307,911</u>
	<u>\$ 9,622,450</u>	<u>13,111,491</u>



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The following table summarizes the composition of public awareness expenses for the years ended December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Publications	\$ 1,293,027	1,170,070
World Wide Web sites	234,765	201,050
Educational and interfaith programs	<u>215,282</u>	<u>206,242</u>
	<u>\$ 1,743,074</u>	<u>1,577,362</u>

Interfaith communication expenses for the years ended December 31, 2007 and 2006 were \$863,989 and \$991,935, respectively.

