Catholic Relief Services –
United States Conference of Catholic Bishops

Financial Statement Report
September 30, 2008
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Auditor’s Report</td>
<td>1</td>
</tr>
<tr>
<td>Financial Statements</td>
<td></td>
</tr>
<tr>
<td>Statements Of Financial Position</td>
<td>2</td>
</tr>
<tr>
<td>Statement Of Activities</td>
<td>3</td>
</tr>
<tr>
<td>Statements Of Cash Flows</td>
<td>4</td>
</tr>
<tr>
<td>Statement Of Functional Expenses</td>
<td>5 – 6</td>
</tr>
<tr>
<td>Notes To Financial Statements</td>
<td>7 – 21</td>
</tr>
</tbody>
</table>
Independent Auditor’s Report

To the Board of Directors
Catholic Relief Services –
    United States Conference of Catholic Bishops
Baltimore, Maryland

We have audited the accompanying statement of financial position of Catholic Relief Services – United States Conference of Catholic Bishops (CRS) as of September 30, 2008, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of CRS’ management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from CRS’ 2007 financial statements and, in our report dated March 12, 2008, we expressed an unqualified opinion on those statements.

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

In our opinion, the 2008 financial statements referred to above present fairly, in all material respects, the financial position of Catholic Relief Services – United States Conference of Catholic Bishops as of September 30, 2008, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2009 on our consideration of CRS’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting, or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Timonium, Maryland
March 26, 2009

McGladrey & Pullen, LLP
Catholic Relief Services —
United States Conference Of Catholic Bishops

Statements Of Financial Position
September 30, 2008 and 2007

(In Thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$97,079</td>
<td>$66,120</td>
</tr>
<tr>
<td>Accounts receivable and other assets</td>
<td>48,594</td>
<td>44,240</td>
</tr>
<tr>
<td>Investments</td>
<td>91,782</td>
<td>136,113</td>
</tr>
<tr>
<td>Segregated investments</td>
<td>42,508</td>
<td>45,494</td>
</tr>
<tr>
<td>Undistributed commodity contributions</td>
<td>49,947</td>
<td>21,691</td>
</tr>
<tr>
<td>Land, building and equipment, net</td>
<td>49,948</td>
<td>51,366</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$379,858</strong></td>
<td><strong>$365,024</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities And Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$72,701</td>
<td>$72,453</td>
</tr>
<tr>
<td>Advances received for programs</td>
<td>50,051</td>
<td>29,431</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>49,947</td>
<td>21,691</td>
</tr>
<tr>
<td>Annuities payable</td>
<td>38,250</td>
<td>36,379</td>
</tr>
<tr>
<td>Long-term debt</td>
<td>50,661</td>
<td>40,091</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>261,610</strong></td>
<td><strong>200,045</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net Assets</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted</td>
<td>47,004</td>
<td>61,137</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>66,479</td>
<td>98,658</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>4,765</td>
<td>5,184</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>118,248</strong></td>
<td><strong>164,979</strong></td>
</tr>
</tbody>
</table>

| **Total liabilities and net assets**        | **$379,858** | **$365,024** |

See Notes To Financial Statements.
### Catholic Relief Services – United States Conference Of Catholic Bishops

**Statement Of Activities**

**Year Ended September 30, 2008**

(With Comparative Totals For The Year Ended September 30, 2007)

(In Thousands)

<table>
<thead>
<tr>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private support and revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catholic Relief Services collection</td>
<td>$12,514</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Operation Rice Bowl appeal</td>
<td>-</td>
<td>7,346</td>
<td>-</td>
</tr>
<tr>
<td>Private contributions</td>
<td>80,087</td>
<td>37,468</td>
<td>-</td>
</tr>
<tr>
<td>Foundation and corporate grant revenue</td>
<td>13,821</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bequests</td>
<td>17,707</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private in-kind gifts</td>
<td>1,969</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total private support and revenue</strong></td>
<td>126,098</td>
<td>44,814</td>
<td>-</td>
</tr>
<tr>
<td>Public support and revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated agricultural, other commodities and ocean freight</td>
<td>121,932</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>United States government grants and agreements</td>
<td>257,981</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other public grants and contributions</td>
<td>44,032</td>
<td>1,229</td>
<td>-</td>
</tr>
<tr>
<td>Public in-kind gifts</td>
<td>2,921</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total public support and revenue</strong></td>
<td>426,866</td>
<td>1,229</td>
<td>-</td>
</tr>
<tr>
<td>Investment and other income</td>
<td>10,313</td>
<td>1,929</td>
<td>-</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>74,237</td>
<td>(74,237)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>637,514</td>
<td>(26,265)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Operating expenses</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services</td>
<td>596,540</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Supporting services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>17,666</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Public awareness</td>
<td>5,123</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fundraising</td>
<td>19,760</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total supporting services</strong></td>
<td>42,549</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>639,089</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Change in net assets from operations</td>
<td>(1,575)</td>
<td>(26,265)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Non-operating revenue and expense</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Endowments</td>
<td>-</td>
<td>-</td>
<td>251</td>
</tr>
<tr>
<td>Net change in annuities, trusts and pooled income fund</td>
<td>1,881</td>
<td>(145)</td>
<td>(375)</td>
</tr>
<tr>
<td>Realized and unrealized gain (loss) on investments and financial instruments</td>
<td>(20,040)</td>
<td>(5,769)</td>
<td>(295)</td>
</tr>
<tr>
<td>Gain on sale of building</td>
<td>3,852</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>SFAS 158, defined benefit plan adjustment</td>
<td>1,749</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total non-operating revenue and expenses, net</strong></td>
<td>(12,558)</td>
<td>(5,914)</td>
<td>(419)</td>
</tr>
<tr>
<td><strong>Change in net assets</strong></td>
<td>(14,133)</td>
<td>(32,179)</td>
<td>(419)</td>
</tr>
<tr>
<td>Net assets, beginning of year</td>
<td>61,137</td>
<td>98,658</td>
<td>5,184</td>
</tr>
<tr>
<td><strong>Net assets, end of year</strong></td>
<td>$47,004</td>
<td>$66,479</td>
<td>$4,765</td>
</tr>
</tbody>
</table>

See Notes To Financial Statements.
Catholic Relief Services –
United States Conference Of Catholic Bishops

Statements Of Cash Flows
Years Ended September 30, 2008 and 2007

(In Thousands)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash Flows From Operating Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets</td>
<td>$(46,731)</td>
<td>$(67,658)</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash used in operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>7,210</td>
<td>6,470</td>
</tr>
<tr>
<td>(Gain) loss on disposal of land, building and equipment</td>
<td>(3,432)</td>
<td>426</td>
</tr>
<tr>
<td>Realized loss (gain) on sales of investments</td>
<td>7,954</td>
<td>(8,253)</td>
</tr>
<tr>
<td>Unrealized loss on investments and financial instruments</td>
<td>18,150</td>
<td>624</td>
</tr>
<tr>
<td>Contributions restricted for long-term investment</td>
<td>(251)</td>
<td>(248)</td>
</tr>
<tr>
<td>Changes in assets and liabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable and other assets</td>
<td>(7,436)</td>
<td>(5,268)</td>
</tr>
<tr>
<td>Undistributed commodity contributions</td>
<td>(28,256)</td>
<td>1,529</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>(890)</td>
<td>23,522</td>
</tr>
<tr>
<td>Advances received for programs</td>
<td>20,620</td>
<td>2,936</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>28,256</td>
<td>(1,529)</td>
</tr>
<tr>
<td><strong>Net cash used in operating activities</strong></td>
<td>$(4,806)</td>
<td>$(47,449)</td>
</tr>
</tbody>
</table>

| Cash Flows From Investing Activities |         |         |
| Proceeds from sale of land, building and equipment | 7,169   | 426    |
| Purchase of land, building and equipment | (9,529) | (24,940) |
| Proceeds from sales and maturities of investments | 232,559 | 345,793 |
| Purchase of investments | (209,866) | (310,899) |
| Change in construction trust assets | 2,740   | 16,132 |
| **Net cash provided by investing activities** | 23,073  | 26,512 |

| Cash Flows From Financing Activities |         |         |
| Proceeds from long-term debt         | 11,731  | 6,300  |
| Principal payments on long-term debt | (1,161) | (760)  |
| Increase in annuities payable, net   | 1,871   | 696    |
| Receipts restricted for long-term investment | 251     | 248    |
| **Net cash provided by financing activities** | 12,692  | 6,484  |

| **Net increase (decrease) in cash and cash equivalents** | 30,959  | (14,453) |
| Cash and cash equivalents, beginning of year | 66,120  | 80,573  |
| Cash and cash equivalents, end of year | $97,079 | $66,120 |

| Supplemental Disclosure Of Cash Flow Information |         |         |
| Cash payments for interest | $2,873  | $835   |

See Notes To Financial Statements.
Catholic Relief Services –
United States Conference Of Catholic Bishops

Statement Of Functional Expenses
Year Ended September 30, 2008
(With Comparative Totals For The Year Ended September 30, 2007)
(In Thousands)

<table>
<thead>
<tr>
<th>Description</th>
<th>Agriculture</th>
<th>Education</th>
<th>Emergency</th>
<th>Enterprise</th>
<th>Health</th>
<th>HIV And AIDS</th>
<th>Peace And Justice</th>
<th>Welfare</th>
<th>Program Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and related benefits</td>
<td>$22,850</td>
<td>$11,521</td>
<td>$31,316</td>
<td>$2,614</td>
<td>$9,589</td>
<td>$30,104</td>
<td>$8,364</td>
<td>$6,045</td>
<td>$122,403</td>
</tr>
<tr>
<td>Contracting and professional fees</td>
<td>2,396</td>
<td>522</td>
<td>15,130</td>
<td>558</td>
<td>1,019</td>
<td>1,136</td>
<td>1,102</td>
<td>351</td>
<td>22,214</td>
</tr>
<tr>
<td>Telecommunications and postage</td>
<td>873</td>
<td>343</td>
<td>1,281</td>
<td>66</td>
<td>380</td>
<td>1,042</td>
<td>340</td>
<td>201</td>
<td>4,526</td>
</tr>
<tr>
<td>Supplies, office expenses and other</td>
<td>1,718</td>
<td>890</td>
<td>1,238</td>
<td>163</td>
<td>765</td>
<td>3,776</td>
<td>545</td>
<td>1,035</td>
<td>10,130</td>
</tr>
<tr>
<td>Occupancy</td>
<td>2,383</td>
<td>1,329</td>
<td>2,016</td>
<td>302</td>
<td>809</td>
<td>2,494</td>
<td>887</td>
<td>667</td>
<td>10,887</td>
</tr>
<tr>
<td>Vehicle and equipment</td>
<td>3,197</td>
<td>1,228</td>
<td>2,235</td>
<td>174</td>
<td>1,998</td>
<td>3,476</td>
<td>814</td>
<td>609</td>
<td>13,731</td>
</tr>
<tr>
<td>Travel, training and representation</td>
<td>5,110</td>
<td>2,373</td>
<td>4,715</td>
<td>873</td>
<td>2,394</td>
<td>8,697</td>
<td>2,780</td>
<td>811</td>
<td>27,753</td>
</tr>
<tr>
<td>Warehousing and freight</td>
<td>6,616</td>
<td>5,760</td>
<td>14,328</td>
<td>309</td>
<td>7,348</td>
<td>231</td>
<td>91</td>
<td>3,780</td>
<td>38,463</td>
</tr>
<tr>
<td>Publicity</td>
<td>3</td>
<td>14</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>-</td>
<td>-</td>
<td>24</td>
</tr>
<tr>
<td>Advances to implementing partners</td>
<td>34,980</td>
<td>14,013</td>
<td>38,631</td>
<td>4,626</td>
<td>17,293</td>
<td>96,975</td>
<td>12,737</td>
<td>6,873</td>
<td>226,128</td>
</tr>
<tr>
<td>Food, other commodities and in-kind contributions</td>
<td>14,172</td>
<td>7,153</td>
<td>48,727</td>
<td>235</td>
<td>12,252</td>
<td>25,444</td>
<td>-</td>
<td>6,680</td>
<td>114,663</td>
</tr>
<tr>
<td>Depreciation</td>
<td>427</td>
<td>190</td>
<td>130</td>
<td>27</td>
<td>195</td>
<td>2,734</td>
<td>-</td>
<td>1,915</td>
<td>5,618</td>
</tr>
</tbody>
</table>

| Total expenses                     | $94,725     | $45,336   | $159,753  | $9,947     | $54,042 | $176,110     | $27,660           | $28,967 | $596,540        |

(Continued)
Catholic Relief Services –
United States Conference Of Catholic Bishops

Statement Of Functional Expenses (Continued)
Year Ended September 30, 2008
(With Comparative Totals For The Year Ended September 30, 2007)
(In Thousands)

<table>
<thead>
<tr>
<th>Supporting services</th>
<th>Management And General</th>
<th>Public Awareness</th>
<th>Fundraising</th>
<th>Total Supporting Services</th>
<th>Total Operating Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and related benefits</td>
<td>$11,421</td>
<td>$2,734</td>
<td>$7,607</td>
<td>$21,762</td>
<td>$18,609</td>
</tr>
<tr>
<td>Contracting and professional fees</td>
<td>1,958</td>
<td>394</td>
<td>3,341</td>
<td>5,693</td>
<td>5,038</td>
</tr>
<tr>
<td>Telecommunications and postage</td>
<td>400</td>
<td>39</td>
<td>3,570</td>
<td>4,009</td>
<td>4,239</td>
</tr>
<tr>
<td>Supplies, office expenses and other</td>
<td>607</td>
<td>146</td>
<td>3,909</td>
<td>4,662</td>
<td>4,739</td>
</tr>
<tr>
<td>Occupancy</td>
<td>262</td>
<td>268</td>
<td>604</td>
<td>1,134</td>
<td>664</td>
</tr>
<tr>
<td>Vehicle and equipment</td>
<td>106</td>
<td>51</td>
<td>34</td>
<td>191</td>
<td>135</td>
</tr>
<tr>
<td>Travel, training and representation</td>
<td>1,327</td>
<td>178</td>
<td>551</td>
<td>2,056</td>
<td>1,863</td>
</tr>
<tr>
<td>Warehousing and freight</td>
<td>-</td>
<td>-</td>
<td>16</td>
<td>16</td>
<td>61</td>
</tr>
<tr>
<td>Publicity</td>
<td>2</td>
<td>1,305</td>
<td>120</td>
<td>1,427</td>
<td>1,364</td>
</tr>
<tr>
<td>Advances to implementing partners</td>
<td>1</td>
<td>2</td>
<td>4</td>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>Food, other commodities and in-kind contributions</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,582</td>
<td>6</td>
<td>4</td>
<td>1,592</td>
<td>485</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>$17,666</td>
<td>$5,123</td>
<td>$19,760</td>
<td><strong>$42,549</strong></td>
<td><strong>$37,205</strong></td>
</tr>
</tbody>
</table>

See Notes To Financial Statements.
Note 1. Organization And Operations

Nature of activities: Catholic Relief Services – United States Conference of Catholic Bishops (CRS) was founded in 1943 and is the international humanitarian aid and development agency of the United States Conference of Catholic Bishops (USCCB). CRS is governed by a board composed of 12 U.S. Bishops elected from the USCCB, the General Secretary of the Conference, and two religious and six lay members. Headquartered in Baltimore, Maryland, CRS provides services in approximately 105 countries through approximately 76 offices around the world.

CRS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is an organization listed in the 2008 edition of the Official Catholic Directory.

CRS has a wholly owned subsidiary, Catholic Relief Services Foundation, Inc. (Foundation) which conducts certain fundraising activities on behalf of CRS. The Chairman and President of CRS serve, along with other elected individuals, as members of the board of the Foundation. CRS has an 87.8% interest in Thaneakea Phum (Cambodia) Ltd., (TPC), a microfinance operation in Cambodia. The minority interest is held by employees in a stock ownership plan. The Chief Financial Officer of CRS is a member of the board of directors of TPC.

Mission statement: Catholic Relief Services carries out the commitment of the Bishops of the United States to assist the poor and vulnerable overseas. We are motivated by the Gospel of Jesus Christ to cherish, preserve and uphold the sacredness and dignity of all human life, foster charity and justice, and embody Catholic social and moral teaching as we act to:

- Promote human development by responding to major emergencies, fighting disease and poverty, and nurturing peaceful and just societies; and,
- Serve Catholics in the United States as they live their faith in solidarity with their brothers and sisters around the world.

As part of the universal mission of the Catholic Church, we work with local, national and international Catholic institutions and structures, as well as other organizations, to assist people on the basis of need, not creed, race or nationality.

Program services: The program categories that CRS uses to classify its program service operating expenses include:

- Agriculture – programs covering a wide range of agricultural and natural resource activities, including crop, tree and livestock production, soil and water conservation, irrigation, weed, disease and pest control, crop processing and storage, crop and livestock marketing, etc.

- Education – programs intended to improve access to and delivery of basic literacy, numerary and other life skills through both formal and non-formal education systems, and to enhance educational achievement.
Note 1. Organization And Operations (Continued)

Emergency – programs seeking to prevent loss of life, minimize suffering, reduce property damage, speed
recovery, reduce vulnerability, and otherwise better cope with natural or man-made disasters, while fostering a
culture of peace, dignity and respect.

Small enterprise – programs to develop lending and savings services for the self-employed poor who have no
access to capital in the formal financial markets.

Health – programs targeted toward problem recognition, evaluation, and intervention in the prevention of somatic
illness, disease and death among populations living in poverty.

HIV and AIDS – programs that assist the poor and vulnerable through care and support, awareness and
prevention, treatment of opportunistic infections, and provision of anti-retroviral drugs, prolonging the lives of
many, and enabling all participants to live in dignity.

Peace and justice – programs to prevent, mitigate, or resolve conflict and promote responsibility and right
relationships between parties at the individual, community, regional or national levels, including focus upon the
strengthening of the institutions of civil society.

Welfare – programs to respond to the urgent and unmet needs of the poorest of society, including the provision
of food and complementary assistance, enabling participants to reach their full human potential.

Note 2. Summary Of Significant Accounting Policies

Presentation: The financial statements include the results of CRS’ worldwide operations. The preparation of the
financial statements 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 these
estimates.

Revenue and expenses related to annuities and other planned giving contributions, realized and unrealized gains
and losses on investments and permanently restricted contributions are classified as nonoperating activities.

The financial statements include certain prior year summarized comparative totals as of and for the year ended
September 30, 2007. Such information does not include sufficient detail to constitute a presentation in conformity
with accounting principles generally accepted in the United States of America. Accordingly, such information should
be read in conjunction with the financial statements for the year ended September 30, 2007, from which the
summarized information was derived.

Designation of support and revenue: Revenue from the U.S. or foreign governments and from international
organizations such as the United Nations, The Global Fund and The World Bank, is classified under public support
and revenue. Revenue from individuals, parishes and dioceses, as well as non-governmental organizations,
foundations and corporations is classified under private support and revenue.
Classification of net assets: Net assets, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CRS and changes therein are classified and recorded as follows:

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

Temporarily restricted net assets – Net assets whose use has been limited by donors to a specific time period and/or purpose. When the donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – The principal amounts of gifts which are required by donors to be permanently retained.

Cash and cash equivalents: Cash includes demand and time deposits. Cash equivalents include highly liquid investments having a maturity date of three months or less at the date of purchase.

Accounts receivable and other assets: Accounts receivable and other assets consist of trade receivables, micro-finance loans and charitable trusts. Interest is charged for micro-finance loans at various rates determined by management, based on prevailing local country economic conditions. Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, considering the debtor’s financial condition and current economic conditions, and by using historical experience applied to an aging of the trade receivables. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Trade and micro-finance receivables are considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is accrued on microfinance receivables until the receivables are deemed uncollectible.

Charitable trusts represent the fair value, using present value calculations, of CRS’ interest in the donor’s trust accounts and life insurance policies. These trusts are created by donors independently of CRS and are neither in the possession nor under the control of CRS. The trusts are administered by outside fiscal agents as designated by the donor. CRS records the fair value, using present value calculations of the trusts discounted at a rate of 6% for 2008 and 2007. The trusts are recognized as revenue when CRS is notified that it has been named as an irrevocable beneficiary.

Investments: Investments and segregated investments are carried at fair value. Investments received as contributions are recorded at fair value on the date of receipt. Investment income is recognized when earned.

Subsequent to year end, the credit and liquidity crisis in the United States and throughout the global financial system has resulted in substantial volatility in financial markets and the banking system. These and other economic events have had a significant adverse impact on investment portfolios. As a result, CRS’ investments have likely incurred a significant decline in fair value since September 30, 2008.
Note 2. Summary Of Significant Accounting Policies (Continued)

Land, building and equipment: Land, building and equipment are capitalized and depreciated on a straight-line basis over the estimated useful lives of the respective assets, which are 10 to 40 years for building and improvements, and 3 to 10 years for furniture, vehicles and equipment.

Advances received for programs: Funds received on exchange transactions (grants) are recorded as advance obligations to the funding entity until they are spent per the program agreement, at which time they are recognized as revenue.

Annuities payable: Annuities payable represent the actuarial present value of amounts due under annuity agreements paid over various periods, generally the life of the donor. Present value is calculated using the Annuity 2000 Mortality table with no adjustments, assuming a 6% interest rate, compounded annually, and no provision for a surplus or contingency reserve.

Fair value of financial instruments: The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash, cash equivalents, short-term investments, trade receivables, accounts payable, advances received for programs and deferred revenue – These assets and liabilities have carrying amounts that approximate fair value because of the short maturity of these instruments.

Investments and charitable trusts – The fair value of investments and charitable trusts is estimated based on quoted market prices and dealer quotes, and present value calculations for those or similar investments.

Undistributed commodity contributions – The fair value of undistributed commodity contributions is based on quoted market prices.

Annuities payable – Annuities payable are estimated using the actuarial present value of amounts due under annuity agreements paid over various periods, generally the life of the donor.

Interest rate swap agreements: CRS accounts for its interest rate swap contracts in accordance with Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, Accounting for Derivative Instruments and Hedging Activities. CRS uses interest rate swap contracts principally to manage the risk that changes in interest rates have on its floating rate long-term debt. The following is a summary of CRS’ risk management strategy and the effect of this strategy on the financial statements.

Interest rate swap contracts are used to adjust a portion of total debt that is subject to variable interest rates. Under the interest rate swap contract, CRS agrees to pay an amount equal to a specified fixed rate of interest times a notional principal amount, and to receive in return an amount equal to a specified variable rate of interest times the same notional principal amount. No other cash payments are made unless the contract is terminated prior to maturity, in which case the amount paid or received in settlement is established by agreement at the time of termination, and usually represents the net present value, at current rates of interest, of the remaining obligations to exchange payments under the terms of the contract.

CRS’ interest rate swap contracts are considered to be a hedge against changes in the amount of future cash flows associated with CRS’ interest payments under variable rate debt obligations. Accordingly, the interest rate swap contracts are reflected at fair value in CRS’ statement of financial position and the related gain or loss on these contracts is recognized in the statement of activities.
Note 2. Summary Of Significant Accounting Policies (Continued)

The effect of this accounting on CRS’ operating results is that interest expense on the portion of variable rate debt being hedged is generally recorded based on fixed interest rates.

The fair value of interest rate swaps is the estimated amount that the bank or financial institution would receive or pay to terminate the swap agreements at the reporting date, taking into account current interest rates and the current credit worthiness of the swap counter parties.

Valuation of long-lived assets: CRS accounts for the valuation of long-lived assets under SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. SFAS No. 144 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Donated agricultural commodities and supplies: CRS receives agricultural and other commodities at no cost from the United States Agency for International Development (USAID), the United States Department of Agriculture (USDA) and others for distribution under contracts related to specific relief programs. Commodities that have not been distributed at September 30, 2008 and 2007, are carried as undistributed commodity contributions and deferred revenue.

Commodity contributions are valued using guidelines published by the Commodity Credit Corporation (an agency of the United States government). European Union commodity donations are recorded at their insurable value, which approximates market value. In-kind contributions of medical supplies are recorded at the Pharmacies Fundamental Reference book (Red-Book) value or based on bills of lading. Other in-kind contributions are recorded at fair value.

Other government funding and exchange transactions: Revenue related to government grants and other exchange transactions is recognized when funds are utilized by CRS to carry out the activity stipulated by the grant or contract, since such contracts can be terminated by the grantor, or refunding can be required under certain circumstances. Accordingly, amounts received, but not recognized as revenue, are classified in the statement of financial position as advances received for programs.

Functional allocation of expenses: The costs of providing CRS’ various programs and support services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and support services primarily based upon direct costs.

Joint costs: Expenses related to the Operation Rice Bowl program jointly support fundraising and educational and other programming. These expenses total $1,295,000 for the year ended September 30, 2008, and $1,254,000 for the year ended September 30, 2007. Expenses are allocated 20% to fundraising and 80% to program services for fiscal year 2008 and 25% to fundraising and 75% to program services for fiscal year 2007.

Self-insured medical plan: Under the CRS plan, medical insurance coverage is obtained for each employee so that exposure to excessive medical expenses is capped in conjunction with certain stop loss provisions. Provisions for expenses expected under this program are recorded based upon CRS’ estimates of the aggregate liability for claims incurred.
Note 2. Summary Of Significant Accounting Policies (Continued)

Income taxes: CRS is generally exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, CRS qualifies for charitable contribution deductions under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Income which is not related to exempt purposes, less applicable deductions, may be subject to federal and state corporate income taxes. For the years ended September 30, 2008 and 2007, CRS has concluded it has no unrelated business income.

In July 2006, FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109, Accounting for Income Taxes, was issued. Under the requirements of FIN 48, which clarified the accounting for income taxes, tax-exempt organizations could now be required to record an obligation as the result of a tax position they have historically taken on various tax exposure items. There has been no impact on the financial statements of CRS as a result of adoption of FIN 48. However, the years ended September 30, 2006, 2007, and 2008 are subject to examination by the Internal Revenue Service. Any interest and/or penalties that would result from such an examination would be charged to expense in the year identified.

Recent accounting pronouncements: In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurement. SFAS 157 also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under SFAS 157, fair value measurements are disclosed by level within that hierarchy. SFAS 157 is effective for fiscal years beginning after November 15, 2007, except for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis for which delayed application is permitted until fiscal years beginning after November 15, 2008. CRS does not expect that the adoption of SFAS 157 will have a material impact on its statements of activities and financial position.

Reclassification: Certain of the 2007 comparative amounts were reclassified to conform to the 2008 presentation. These reclassifications had no effect on the previously reported change in net assets.

Note 3. Concentration Of Credit Risk

Cash and cash equivalents include demand deposits which are maintained at various financial institutions in the United States and foreign countries. The total deposits at institutions in the United States exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. Deposits held at institutions outside of the United States are not subject to insurance. At September 30, 2008 and 2007, $96,732,000 and $65,583,000, respectively, of deposits were in excess of FDIC insurance including $54,802,000 and $37,185,000, respectively, held in numerous financial institutions outside of the United States. Short-term operating investments of $7,501,000 and $7,231,000, respectively, were also held in numerous financial institutions outside of the United States at September 30, 2008 and 2007.

CRS invests in a professionally managed portfolio that contains shares of U.S. Treasury securities, equity securities and corporate debt securities. These investments are exposed to various risks, such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.
Note 4. Accounts Receivable And Other Assets

Accounts receivable include loans made by CRS for microfinance programming, which provide credit to the working poor, and encompass both loans direct to the final borrower as well as loans to local partners who operate these programs. In some instances, CRS may contribute loan balances to local partners. At September 30, 2008 and 2007, microfinance loans receivable totaled $27,850,000 and $22,405,000, respectively. As of September 30, 2008 and 2007, the allowances for doubtful accounts on all accounts receivable and microfinance loans were $4,382,000 and $5,101,000, respectively. Other assets include charitable trusts of $9,344,000 and $9,801,000 at September 30, 2008 and 2007, respectively. The remaining portion of accounts receivable and other assets at September 30, 2008 and 2007, consists of trade receivables and prepaid expenses.

Note 5. Investments

The fair value by type of investment at September 30, 2008 and 2007, is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit and other</td>
<td>$18,501</td>
<td>$7,408</td>
</tr>
<tr>
<td>U.S. Treasury securities</td>
<td>18,974</td>
<td>28,974</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>15,873</td>
<td>43,705</td>
</tr>
<tr>
<td>Equity securities</td>
<td>37,976</td>
<td>55,293</td>
</tr>
<tr>
<td>Accrued interest and dividends</td>
<td>458</td>
<td>733</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$91,782</strong></td>
<td><strong>$136,113</strong></td>
</tr>
</tbody>
</table>

The components of investment return on the investments described above, cash equivalents and segregated investments for the years ended September 30, 2008 and 2007, are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends and interest</td>
<td>$10,750</td>
<td>$12,529</td>
</tr>
<tr>
<td>Realized (loss) gain on investments</td>
<td>(7,954)</td>
<td>8,254</td>
</tr>
<tr>
<td>Unrealized loss on investments</td>
<td>(16,670)</td>
<td>(785)</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>(803)</td>
<td>(860)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$(14,677)</strong></td>
<td><strong>$19,138</strong></td>
</tr>
</tbody>
</table>
Segmented Investments

CRS is required under various statutory regulations to segregate a certain level of appropriate investments to support its charitable gift annuity giving program. In addition, CRS sponsors a pooled income fund wherein the fund’s earnings are distributed to participants until their death at which time the assets become available to CRS. Such investments, at fair value, at September 30, 2008 and 2007, consist of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Gift Annuities</th>
<th>Pooled Income</th>
<th>Total</th>
<th>Gift Annuities</th>
<th>Pooled Income</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$5,649</td>
<td>$35</td>
<td>$5,684</td>
<td>$1,976</td>
<td>$64</td>
<td>$2,040</td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td>27,888</td>
<td>1,523</td>
<td>29,411</td>
<td>32,156</td>
<td>1,696</td>
<td>33,852</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>497</td>
<td>-</td>
<td>497</td>
<td>823</td>
<td>-</td>
<td>823</td>
</tr>
<tr>
<td>Equity securities</td>
<td>6,451</td>
<td>134</td>
<td>6,585</td>
<td>8,206</td>
<td>161</td>
<td>8,367</td>
</tr>
<tr>
<td>Accrued interest</td>
<td>331</td>
<td>-</td>
<td>331</td>
<td>412</td>
<td>-</td>
<td>412</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$40,816</strong></td>
<td><strong>$1,692</strong></td>
<td><strong>$42,508</strong></td>
<td><strong>$43,573</strong></td>
<td><strong>$1,921</strong></td>
<td><strong>$45,494</strong></td>
</tr>
</tbody>
</table>

During the years ended September 30, 2008 and 2007, CRS received $5,671,000 and $4,300,000, respectively, of new charitable gift annuities and pooled income fund contributions, earned net investment income of $1,578,000 and $1,900,000, respectively, and made contractual annuity payments of $3,866,000 and $4,200,000, respectively.

During the years ended September 30, 2008 and 2007, the pooled income fund made earnings distributions of $249,000 and $78,000, respectively, to participants.

Revenue from annuity contracts, irrevocable charitable trusts, and the pooled income fund (planned giving agreements) is recognized based on the present value of CRS’ interest in the planned giving agreements.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect on reporting dates, and revenue and expenses are translated at rates in effect on transaction dates. Transaction and translation gains and losses are included in current results. The resulting foreign currency translation losses of $351,000 for the year ended September 30, 2008, and gains of $756,000 for the year ended September 30, 2007, are included in supplies, office expenses, other expenses and investment income.

At September 30, 2008 and 2007, assets of approximately $155,017,000 and $110,278,000, respectively, which consist primarily of cash, short-term investments, receivables and equipment, and $132,261,000 and $79,650,000, respectively, of liabilities are associated with activities in countries outside the United States.
Note 8. Land, Building And Equipment

Land, building and equipment, at cost, at September 30, 2008 and 2007, are summarized as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$703</td>
<td>$1,834</td>
</tr>
<tr>
<td>Building and improvements</td>
<td>35,683</td>
<td>33,546</td>
</tr>
<tr>
<td>Furniture and equipment</td>
<td>61,052</td>
<td>58,320</td>
</tr>
<tr>
<td></td>
<td>97,438</td>
<td>93,700</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(47,490)</td>
<td>(45,132)</td>
</tr>
<tr>
<td></td>
<td>49,948</td>
<td>48,568</td>
</tr>
</tbody>
</table>

Land, building and equipment includes restricted and grant assets of $3,770,000 and $3,816,000 at September 30, 2008 and 2007, respectively. Of these assets, $2,780,000 and $2,707,000 at September 30, 2008 and 2007, respectively, are restricted in compliance with federal program grant agreements as to use, resale and maintenance.

On July 25, 2005, CRS entered into a capital lease for the acquisition of a new world headquarters building in Baltimore, Maryland. The lease is for an initial term of thirty years, with three five-year renewal options. The minimum lease payment under this agreement of $13,465,000, was paid in full on the rent commencement date, January 21, 2006. Minimum rent for the renewal periods will be determined on the basis of 90% of the then fair market rental for the first renewal year, with subsequent years’ rent increasing based on the Consumer Price Index.

CRS occupied its new headquarters building, at 228 West Lexington St., Baltimore, Maryland at the end of July 2007 with the building substantially complete. Land, building and equipment at September 30, 2008, include $33,818,000 for leasehold improvements, capitalized lease and other costs expended, including capitalized interest of $885,000, for the new headquarters.

CRS has operating lease commitments for its offices maintained throughout the world. These leases are generally renewable on an annual basis. CRS has also entered into operating leases in the United States for office space for periods ranging from three to five years for its U.S. Operations. Rental expenses for the years ended September 30, 2008 and 2007, were $4,440,000 and $3,764,000, respectively.

Minimum annual lease payments on operating leases are as follows:

<table>
<thead>
<tr>
<th>Years Ending September 30,</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$214,857</td>
</tr>
<tr>
<td>2010</td>
<td>210,483</td>
</tr>
<tr>
<td>2011</td>
<td>137,929</td>
</tr>
<tr>
<td>2012</td>
<td>29,920</td>
</tr>
<tr>
<td></td>
<td>$593,189</td>
</tr>
</tbody>
</table>
Note 9. Long-Term Debt

Long-term debt includes various notes payable by CRS’ subsidiary in Cambodia, Thaneakea Phum (Cambodia) Ltd., (TPC), in addition to a term loan and tax exempt bonds payable in connection with the renovations of CRS’ new headquarters building. None of the obligations of TPC have recourse to the other assets of CRS.

TPC has entered into a number of loans with both financial institutions and other private organizations to fund its microfinance lending capital. These loans range in amount from $125,000 to $1,500,000, denominated in U.S. dollars, Cambodian riel and Thai baht. Most include origination fees of between 1% to 1.5% and carry interest rates from 6% to 13% per annum. These have maturities of between one and four years through 2012.

TPC also has several small loans with one year terms at 12% which automatically renew unless called by the borrower 30 days prior to maturity. These have various maturity dates in 2009, and total $45,000.

To finance the capital lease obligation for its new headquarters building, CRS has an outstanding term loan with Bank of America in the amount of $12,255,000. The loan matures on May 1, 2009, but automatically extends until May 1, 2012, and then again until May 1, 2016, if the loan is not in default. Interest accrues, and is payable monthly, at a rate based on the one-month London Interbank Offered Rate (LIBOR) plus either .14% or .30% depending on the liability coverage ratio as defined in the agreement. Monthly principal payments begin on June 1, 2008, and adjust each year on the basis of full amortization through May 1, 2023.

In June 2006, CRS issued tax-exempt variable rate demand bonds in the amount of $19,555,000 in connection with renovations of the headquarters space. The bonds bear interest at a floating rate as determined by the bond remarketing agent based upon market conditions, unless converted to a fixed rate at the election of the borrower. Principal payments on the bonds begin in May 2023 and continue until final maturity in May 2036. A credit enhancement provided by Bank of America was used to obtain a credit rating of Aa1.

The bond agreement contains certain financial and non-financial covenants.

CRS entered into interest rate swap agreements to reduce the impact of interest rate changes on its floating rate term loan and tax-exempt bonds. One swap agreement was executed with notional principal amount of $4,855,000 of the taxable term loan, at a fixed rate of 4.96% to be effective March 1, 2006, through October 2015. A second agreement was executed with a notional principal in the amount of $19,145,000 for the tax-exempt variable rate demand bonds. The contract is based on an issue rate of 67% of LIBOR, and fixes the interest rate at 3.40% effective May 1, 2006, through May 1, 2036. As of September 30, 2008, CRS would be obligated in the amount of $1,138,000 should it elect to opt out of these swap agreements. This obligation is included in accounts payable and accrued expenses. The annual change in the value of these instruments, a loss of $1,480,000 and gain of $161,000 for the years ended September 30, 2008 and 2007, respectively, is included in the realized and unrealized gain (loss) on investments and other financial instruments.

Interest due on the term loan and the bonds in connection with the headquarters building was capitalized while the space was under renovation and unoccupied.
Note 9. Long Term Debt (Continued)

Future annual maturities on long term debt as of September 30, 2008, are as follows (in thousands):

<table>
<thead>
<tr>
<th>Years Ending September 30,</th>
<th>$</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>10,663</td>
</tr>
<tr>
<td>2010</td>
<td>8,692</td>
</tr>
<tr>
<td>2011</td>
<td>851</td>
</tr>
<tr>
<td>2012</td>
<td>1,191</td>
</tr>
<tr>
<td>2013</td>
<td>721</td>
</tr>
<tr>
<td>2014 – 2036</td>
<td>28,543</td>
</tr>
<tr>
<td></td>
<td>50,661</td>
</tr>
</tbody>
</table>

Note 10. Commodities Received And Other In-Kind Contributions

Commodities received and other in-kind contributions for the years ended September 30, 2008 and 2007, consist of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural commodities</td>
<td>75,798</td>
<td>51,308</td>
</tr>
<tr>
<td>donated by USAID and USDA</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodities and other</td>
<td>18,727</td>
<td>25,277</td>
</tr>
<tr>
<td>contributions provided by the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>European Union, UN and other</td>
<td></td>
<td></td>
</tr>
<tr>
<td>donors</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ocean freight</td>
<td>27,407</td>
<td>36,233</td>
</tr>
<tr>
<td>Total agricultural</td>
<td>121,932</td>
<td>112,818</td>
</tr>
<tr>
<td>commodities and ocean freight</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical supplies and other</td>
<td>4,036</td>
<td>4,410</td>
</tr>
<tr>
<td>tangible assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated services</td>
<td>854</td>
<td>600</td>
</tr>
<tr>
<td>Total in-kind contributions</td>
<td>4,890</td>
<td>5,010</td>
</tr>
</tbody>
</table>

Note 11. Retirement Plans

CRS has a non-contributory defined benefit pension plan covering all lay employees who have completed three months of service and attained the age of 21. The benefits are based on years of service and the employee’s highest average compensation during five consecutive years of the last ten years of service.

CRS also sponsors a non-contributory post-retirement health plan for employees who retire after the age of 65 with at least 20 years of service. CRS funds retiree healthcare premiums on a cash basis, and for the years ended September 30, 2008 and 2007, paid $116,000 and $140,000, respectively, for retirees’ healthcare coverage.
The following schedule sets forth the funded status, components of net periodic benefit cost and weighted-average assumptions of the plans for the years ended September 30, 2008 and 2007, ($ in thousands):

<table>
<thead>
<tr>
<th>Change in projected benefit obligation</th>
<th>2008</th>
<th>2007</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation at beginning of period</td>
<td>$39,231</td>
<td>$33,748</td>
<td>$4,833</td>
<td>$4,239</td>
</tr>
<tr>
<td>Service cost</td>
<td>4,112</td>
<td>3,533</td>
<td>438</td>
<td>268</td>
</tr>
<tr>
<td>Interest cost</td>
<td>2,537</td>
<td>2,190</td>
<td>438</td>
<td>283</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>(3,872)</td>
<td>77</td>
<td>(1,806)</td>
<td>183</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(594)</td>
<td>(317)</td>
<td>(116)</td>
<td>(140)</td>
</tr>
<tr>
<td>Special termination benefits</td>
<td>801</td>
<td>-</td>
<td>1,800</td>
<td>-</td>
</tr>
<tr>
<td><strong>Benefit obligation at end of period</strong></td>
<td>$42,215</td>
<td>$39,231</td>
<td>$5,587</td>
<td>$4,833</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in plan assets</th>
<th>2008</th>
<th>2007</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of period</td>
<td>$21,784</td>
<td>$16,848</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(2,894)</td>
<td>2,248</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>4,307</td>
<td>3,005</td>
<td>116</td>
<td>140</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(594)</td>
<td>(317)</td>
<td>(116)</td>
<td>(140)</td>
</tr>
<tr>
<td><strong>Fair value of plan assets at end of period</strong></td>
<td>$22,603</td>
<td>$21,784</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funded status at end of year</th>
<th>2008</th>
<th>2007</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Funded status at end of year</strong></td>
<td>$(19,612)</td>
<td>$(17,447)</td>
<td>$(5,587)</td>
<td>$(4,833)</td>
</tr>
</tbody>
</table>

## Amounts recognized in statement of financial position:

<table>
<thead>
<tr>
<th>Amounts recognized in non-operating revenue and expenses</th>
<th>2008</th>
<th>2007</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrecognized transition obligation</td>
<td>-</td>
<td>$ -</td>
<td>$900</td>
<td>$1,044</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>101</td>
<td>118</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net loss (gain)</td>
<td>6,221</td>
<td>5,958</td>
<td>(2,348)</td>
<td>(498)</td>
</tr>
<tr>
<td><strong>Accrued benefit cost, effect of SFAS No. 158</strong></td>
<td>$6,322</td>
<td>$6,076</td>
<td>$(1,448)</td>
<td>$546</td>
</tr>
</tbody>
</table>

## Components of net periodic benefit cost

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost</td>
<td>2,537</td>
<td>2,190</td>
<td>438</td>
<td>283</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(1,991)</td>
<td>(1,570)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Net amortization and deferral</td>
<td>188</td>
<td>309</td>
<td>188</td>
<td>141</td>
</tr>
<tr>
<td>Special termination benefits</td>
<td>1,427</td>
<td>-</td>
<td>1,800</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total net periodic benefit cost</strong></td>
<td>$6,273</td>
<td>$4,462</td>
<td>$2,864</td>
<td>$692</td>
</tr>
</tbody>
</table>

## Weighted-average assumptions

<table>
<thead>
<tr>
<th>Discount rate</th>
<th>2008</th>
<th>2007</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected return on plan assets</td>
<td>8.50%</td>
<td>8.50%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>5.50%</td>
<td>5.50%</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Note 11. Retirement Plans (Continued)

The investment objective of the defined benefit plan is to attain an overall return in excess of the actuarially assumed rate, while protecting the plan’s principal by managing investment risk. The investment objective also incorporates the financial condition of the plan, future growth of active and retired participants, inflation and the rate of salary increases. CRS’ budget and finance committee has selected market-based benchmarks to monitor the performance of the investment strategy and perform periodic review of investment performance.

The investment strategy has a target asset allocation policy as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Minimum</th>
<th>Target</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity and equivalents</td>
<td>60%</td>
<td>70%</td>
<td>80%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>20%</td>
<td>30%</td>
<td>40%</td>
</tr>
</tbody>
</table>

The investment policy requires compliance with existing and future applicable state and federal regulations, including the Employee Retirement Income Security Act of 1974 (ERISA). The expected long-term rate of return on plan assets is based primarily on expectations of future returns for the pension plan’s investments, based upon the target asset allocations. Additionally, the historical returns on comparable equity and fixed income investments is considered in the estimate of the expected long-term rate of return on plan assets.

Allocation of plan assets at September 30, 2008 and 2007 ($ in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
<th>Percent</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity and equivalents</td>
<td>$ 13,550</td>
<td>59.9%</td>
<td>$ 14,340</td>
<td>65.9%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>6,009</td>
<td>26.6%</td>
<td>5,999</td>
<td>27.5%</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>3,044</td>
<td>13.5%</td>
<td>1,445</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

$ 22,603 100.0%  $ 21,784 100.0%

The pension plan contribution for the year ending September 30, 2009 is expected to be $3,671,000. The plan’s expected payouts for the next five years and in the aggregate for the following five years are:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Payout</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$ 451,774</td>
</tr>
<tr>
<td>2010</td>
<td>532,417</td>
</tr>
<tr>
<td>2011</td>
<td>686,646</td>
</tr>
<tr>
<td>2012</td>
<td>902,399</td>
</tr>
<tr>
<td>2013</td>
<td>1,261,244</td>
</tr>
<tr>
<td>2014 – 2018</td>
<td>11,382,507</td>
</tr>
</tbody>
</table>

19
Note 11. Retirement Plans (Continued)

The healthcare inflation rates for 2008 and 2007 are assumed to be 5% and 4.5%, respectively. The 5% ultimate rate was projected to be reached by 2015. A 1% point increase in the healthcare inflation rate from the assumed rate could increase the accumulated post-retirement health benefit obligation by approximately $1,176,000 as of September 30, 2008, and would increase the aggregate of the service cost and interest cost components of net periodic post-retirement health benefit cost for 2008 by approximately $231,000. A 1% point decrease in the healthcare inflation rate from the assumed rate could decrease the accumulated post-retirement health benefit obligation by approximately $918,000 as of September 30, 2008, and would decrease the aggregate of the service cost and interest components of net periodic post-retirement health benefit cost for 2008 by approximately $175,000.

CRS also provides eligible employees a defined contribution plan, which qualifies under IRC §403(b). Under the plan, CRS contributes to a participant's account an amount equal to 50% of the participant's contribution, not to exceed 3% of the participant's eligible earnings. The contributions are invested in various mutual funds chosen by the participant. CRS contributed $794,000 and $733,000, for the years ended September 30, 2008 and 2007, respectively.

Accrued benefit cost for pension benefits and post retirement health benefits are included in accounts payable and accrued expenses in the accompanying financial statements.

Note 12. Self-Insured Medical Plan

CRS maintains a self-insured medical plan for the benefit of its employees. A stop loss policy is in effect, which limits CRS' loss per individual employee to $150,000 and an aggregate stop loss based on a preset rate as of the beginning of each fiscal year. For fiscal year 2008, this rate was $676 per employee per month, or approximately $6,600,000. The medical plan is administered through a contractual relationship with an unrelated company. However, CRS is solely responsible for all claims incurred up to the amount of the stop loss provisions. CRS' expense under the self-insured medical plan amounted to $4,900,000 and $4,700,000 for the years ended September 30, 2008 and 2007, respectively.

Note 13. Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2008 and 2007, are composed of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time restricted:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charitable trusts</td>
<td>$ 7,416</td>
<td>$ 7,497</td>
</tr>
<tr>
<td>Pooled income fund</td>
<td>683</td>
<td>747</td>
</tr>
<tr>
<td>Other time restricted</td>
<td>-</td>
<td>342</td>
</tr>
<tr>
<td>Total</td>
<td>8,099</td>
<td>8,586</td>
</tr>
<tr>
<td>Program restricted:</td>
<td>58,380</td>
<td>90,072</td>
</tr>
<tr>
<td>Total temporarily restricted net assets</td>
<td>$ 66,479</td>
<td>$ 98,658</td>
</tr>
</tbody>
</table>
Notes To Financial Statements

Note 13. Temporarily Restricted Net Assets (Continued)

Net assets were released for the following purposes during 2008 and 2007 (in thousands):

<table>
<thead>
<tr>
<th>Purpose</th>
<th>2008</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program restricted purposes met</td>
<td>$74,095</td>
<td>$111,695</td>
</tr>
<tr>
<td>Time restricted purposes met</td>
<td>$142</td>
<td>$47</td>
</tr>
<tr>
<td></td>
<td>$74,237</td>
<td>$111,742</td>
</tr>
</tbody>
</table>

Permanently restricted net assets represent contributions by donors for which the corpus must be permanently retained. The income derived from these permanently restricted amounts can be used to fund administrative costs and program services.

Note 14. Contingencies

CRS receives significant financial and non-financial assistance from the U.S. government. Entitlement to such resources is generally conditioned upon compliance with terms and conditions of the related agreements and applicable federal regulations. The use of such resources is subject to audit by governmental agencies and CRS is contingently liable to refund amounts received in excess of allowable expenditures. As of September 30, 2008 and 2007, CRS has recorded a liability for its estimate of questioned costs that may have to be refunded to the government.

In the normal course of business CRS is party to various claims and assessments. In the opinion of management, these matters will not have a material effect on CRS’ financial position, change in net assets, or cash flow.

Note 15. Tsunami Emergency

On December 26, 2004, a tsunami struck South and Southeast Asia, resulting in the largest donor response in CRS’ history. CRS’ emergency response as well as reconstruction efforts extend over a number of years. The following is a financial summary of the activity in Indonesia, Sri Lanka, India, Thailand and other parts of this region through September 30, 2008 (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>Private Contributions</th>
<th>Other Donors, Including U.S. Government</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue, cumulative through September 30, 2008</td>
<td>$162,917</td>
<td>$31,476</td>
<td>$194,393</td>
</tr>
<tr>
<td>Investment income</td>
<td>6,796</td>
<td>-</td>
<td>6,796</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>169,713</td>
<td>31,476</td>
<td>201,189</td>
</tr>
<tr>
<td>Total expenses</td>
<td>148,765</td>
<td>31,476</td>
<td>180,241</td>
</tr>
<tr>
<td><strong>Net assets at September 30, 2008</strong></td>
<td>$20,948</td>
<td>-</td>
<td>$20,948</td>
</tr>
</tbody>
</table>