Catholic Relief Services – United States Conference Of Catholic Bishops

Financial Statement Report
September 30, 2011

Contents

Independent Auditor’s Report	1
Financial Statements	
Statements Of Financial Position	2
Statement Of Activities	3
Statements Of Cash Flows	4
Statement Of Functional Expenses	5 – 6
Notes To Financial Statements	7 – 29

McGladrey

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, 2011, and the related statements of activities, cash flows and functional expenses for the year then ended. These financial statements are the responsibility of CRS's 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's 2010 financial statements and, in our report dated March 24, 2011, 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 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 CRS's internal control over financial reporting. Accordingly, we express no such opinion. 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 2011 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, 2011, 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 30, 2012, on our consideration of CRS's 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.

McGladrey & Pullen, LLP

Gaithersburg, Maryland
March 30, 2012

Catholic Relief Services – United States Conference Of Catholic Bishops

Statements Of Financial Position
September 30, 2011 And 2010
(In Thousands)

Assets		**2011**		2010
Cash and cash equivalents	**$**	**101,853**	$	92,814
Accounts receivable and other assets		**31,971**		34,795
Investments		**196,293**		201,704
Segregated investments		**48,462**		48,032
Undistributed commodities		**31,702**		53,924
Land, building and equipment, net		**52,724**		50,281
Total assets	**$**	**463,005**	$	481,550

Liabilities And Net Assets				
Liabilities				
Accounts payable and accrued expenses	**$**	**134,209**	$	131,696
Advances received for programs		**50,938**		43,237
Deferred revenue – commodities		**31,702**		53,924
Annuities payable		**36,565**		36,306
Long-term debt		**29,955**		30,606
Total liabilities		**283,369**		295,769
Net Assets				
Unrestricted		**36,114**		41,241
Temporarily restricted		**137,286**		138,726
Permanently restricted		**6,236**		5,814
Total net assets		**179,636**		185,781
Total liabilities and net assets	**$**	**463,005**	$	481,550

See Notes To Financial Statements.

Catholic Relief Services – United States Conference Of Catholic Bishops

Statement Of Activities
Year Ended September 30, 2011
(With Comparative Totals For The Year Ended September 30, 2010)
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2011	Total 2010
Operating revenue:					
Private support and revenue:					
Catholic Relief Services collection	$ 10,756	$ -	$ -	$ 10,756	$ 12,133
Operation Rice Bowl	-	5,740	-	5,740	5,652
Private contributions	77,224	56,298	-	133,522	212,179
Foundation and other private grants	55,661	-	-	55,661	40,131
Bequests	16,772	-	-	16,772	16,296
Private in-kind gifts	1,595	-	-	1,595	7,896
Total private support and revenue	162,008	62,038	-	224,046	294,287
Public support and revenue:					
Donated agricultural, other commodities and ocean freight	164,039	-	-	164,039	240,777
United States government grants and agreements	351,625	-	-	351,625	312,830
Other public grants and contributions	65,946	3,214	-	69,160	59,994
Public in-kind gifts	7,941	-	-	7,941	5,016
Total public support and revenue	589,551	3,214	-	592,765	618,617
Investment and other income	3,493	2,640	-	6,133	6,046
Net assets released from restrictions	68,510	(68,510)	-	-	-
Total operating revenue	823,562	(618)	-	822,944	918,950
Operating expenses:					
Program services	772,593	-	-	772,593	780,116
Supporting services:					
Management and general	20,229	-	-	20,229	17,870
Public awareness	6,662	-	-	6,662	4,673
Fundraising	20,583	-	-	20,583	20,386
Total supporting services	47,474	-	-	47,474	42,929
Total operating expenses	820,067	-	-	820,067	823,045
Change in net assets from operations	3,495	(618)	-	2,877	95,905
Non-operating revenue and expenses:					
Endowments	-	-	486	486	8
Net change in annuities, trusts and pooled income fund	1,465	625	(64)	2,026	1,966
Realized and unrealized gain (loss) on investments and financial instruments	(1,536)	(1,447)	-	(2,983)	8,345
Defined benefit plan adjustment	(8,551)	-	-	(8,551)	(9,646)
Total non-operating revenue and expenses, net	(8,622)	(822)	422	(9,022)	673
Change in net assets	(5,127)	(1,440)	422	(6,145)	96,578
Net assets, beginning of year	41,241	138,726	5,814	185,781	89,203
Net assets, end of year	$ 36,114	$ 137,286	$ 6,236	$ 179,636	$ 185,781

See Notes To Financial Statements.

Catholic Relief Services – United States Conference Of Catholic Bishops

Statements Of Cash Flows
Years Ended September 30, 2011 And 2010
(In Thousands)

	2011	2010
Cash Flows From Operating Activities		
Change in net assets	$ (6,145)	$ 96,578
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,910	8,097
Gain on sale of TPC	-	(487)
Loss (gain) on disposal of land, building and equipment	395	(134)
Realized gain on sales of investments	(4,744)	(1,379)
Unrealized loss (gain) on investments and financial instruments	7,727	(6,966)
Contributions restricted for long-term investment	(486)	(8)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable and other assets	2,824	3,606
Undistributed commodities	22,222	(27,549)
Increase (decrease) in:		
Accounts payable and accrued expenses	1,419	41,588
Advances received for programs	7,701	(16,151)
Deferred revenue – commodities	(22,222)	27,549
Net cash provided by operating activities	17,601	124,744
Cash Flows From Investing Activities		
Proceeds from sale of TPC	-	5,500
Proceeds from sale of land, building and equipment	214	480
Purchase of land, building and equipment	(11,962)	(8,687)
Proceeds from sales and maturities of investments	210,368	173,704
Purchase of investments	(207,276)	(290,939)
Net cash used in investing activities	(8,656)	(119,942)
Cash Flows From Financing Activities		
Principal payments and liquidations of long-term debt	(651)	(9,302)
Increase (decrease) in annuities payable, net	259	(1,048)
Receipts restricted for long-term investment	486	8
Net cash provided by (used in) financing activities	94	(10,342)
Net increase (decrease) in cash and cash equivalents	9,039	(5,540)
Cash And Cash Equivalents:		
Beginning of year	92,814	98,354
End of year	$ 101,853	$ 92,814
Supplemental Disclosure Of Cash Flow Information		
Cash payments for interest	$ 933	$ 1,746
Accounts receivable sold to third party	$ -	$ 17,618
Accounts payable sold to third party	$ -	$ 12,876

See Notes To Financial Statements.

Catholic Relief Services – United States Conference Of Catholic Bishops

Statement Of Functional Expenses
Year Ended September 30, 2011
(With Comparative Totals For The Year Ended September 30, 2010)
(In Thousands)

									Program Services	
				Small		HIV And	Peace And			
Description	Agriculture	Education	Emergency	Enterprise	Health	AIDS	Justice	Welfare	2011	2010
Program services:										
Salaries and related benefits	$ 35,064	$ 8,503	$ 46,390	$ 2,824	$ 16,298	$ 25,131	$ 8,548	$ 3,208	$ 145,966	$ 127,361
Contracting and professional fees	2,870	1,548	4,666	557	1,754	1,582	1,013	414	14,404	16,858
Telecommunications and postage	1,505	390	2,083	88	755	1,048	311	175	6,355	5,372
Printing, supplies and other office expenses	1,854	650	2,833	177	994	1,815	400	171	8,894	5,833
Occupancy	2,308	929	3,904	190	1,199	1,767	840	655	11,792	11,572
Vehicle and equipment	3,399	520	7,631	383	2,861	2,608	685	486	18,573	14,383
Travel, training and representation	7,315	1,862	6,745	884	5,914	5,342	2,639	634	31,335	29,591
Warehousing and freight	6,730	7,951	21,641	508	12,301	302	3	5,143	54,579	108,361
Publicity	27	1	28	-	9	1	-	-	66	68
Subgrants to implementing partners	61,547	15,023	126,523	2,454	26,134	87,556	11,839	5,229	336,305	288,751
Food, other commodities and in-kind contributions	8,836	13,751	63,752	403	15,469	22,309	1,083	11,883	137,486	165,669
Depreciation	2,458	967	892	275	52	2,101	-	93	6,838	6,297
Total expenses	$ 133,913	$ 52,095	$ 287,088	$ 8,743	$ 83,740	$ 151,562	$ 27,361	$ 28,091	$ 772,593	$ 780,116

(Continued)

Catholic Relief Services – United States Conference Of Catholic Bishops

Statement Of Functional Expenses (Continued)
Year Ended September 30, 2011
(With Comparative Totals For The Year Ended September 30, 2010)
(In Thousands)

	Management And General	Public Awareness	Fundraising	Total Supporting Services 2011	Total Supporting Services 2010	Total Operating Expenses 2011	Total Operating Expenses 2010
Supporting services:							
Salaries and related benefits	$ 12,964	$ 3,123	$ 7,583	$ 23,670	$ 21,018	$ 169,636	$ 148,379
Contracting and professional fees	2,562	269	3,237	6,068	6,318	20,472	23,176
Telecommunications and postage	249	20	4,042	4,311	4,657	10,666	10,029
Printing, supplies and other office expenses	542	109	4,471	5,122	5,346	14,016	11,179
Occupancy	308	293	517	1,118	1,036	12,910	12,608
Vehicle and equipment	208	130	52	390	297	18,963	14,680
Travel, training and representation	1,167	144	485	1,796	1,367	33,131	30,958
Warehousing and freight	-	-	16	16	16	54,595	108,377
Publicity	1	957	79	1,037	980	1,103	1,048
Subgrants to implementing partners	17	-	-	17	1	336,322	288,752
Food, other commodities and in-kind contributions	144	1,612	101	1,857	93	139,343	165,762
Depreciation	2,067	5	-	2,072	1,800	8,910	8,097
Total expenses	$ 20,229	$ 6,662	$ 20,583	$ 47,474	$ 42,929	$ 820,067	$ 823,045

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 a Cardinal and 12 U.S. Bishops elected from the USCCB, the General Secretary of the Conference, and one religious and five lay members. Headquartered in Baltimore, Maryland, CRS provides services in approximately 90 countries through approximately 69 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 2011 edition of the Official Catholic Directory.

CRS has a wholly owned subsidiary, Catholic Relief Services Foundation, Inc. (the 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.

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.

- 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.

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.

Note 1. Organization And Operations (Continued)

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's 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, defined benefit plan adjustments and permanently restricted contributions are classified as non-operating activities.

The financial statements include certain prior year summarized comparative totals as of and for the year ended September 30, 2010. 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, 2010, 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.

Note 2. Summary Of Significant Accounting Policies (Continued)

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 micro-finance receivables until the receivables are deemed uncollectible.

Charitable trusts represent the fair value, using present value calculations, of CRS's 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 percent for 2011 and 2010. 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.

Investments in investment pools: CRS's non-segregated investments include investment pools which are valued at fair value based on the applicable percentage ownership of the underlying pools' net assets as of the measurement date, as determined by CRS. In determining fair value, CRS utilizes valuations provided by the investment's fund manager. The manager values securities and other financial instruments on a fair value basis of accounting. The fair value of CRS's investment in such investment pools generally represents the amount CRS would expect to receive if it were to liquidate its investment excluding any redemption charges that may apply. However, the estimated fair values of the assets underlying this investment may include securities for which prices are not readily available and are determined by the fund manager and, therefore, may not reflect amounts that could be realized upon immediate sale, nor amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments. CRS may adjust the respective manager's valuation when circumstances support such an adjustment.

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.

Note 2. Summary Of Significant Accounting Policies (Continued)

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.

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 variable interest rate of 4 to 6 percent, compounded annually, and no provision for a surplus or contingency reserve. The interest rate is determined by the year of contribution and the guaranteed duration period.

Interest rate swap agreements: 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's 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's interest rate swap contracts are considered to be a hedge against changes in the amount of future cash flows associated with CRS's interest payments under variable rate debt obligations. Accordingly, the interest rate swap contracts are reflected at fair value, as described in Note 9, in CRS's statement of financial position and the related gain or loss on these contracts is recognized in the statement of activities.

The effect of this accounting on CRS's 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 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 other in-kind gifts: 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, 2011 and 2010, are carried as undistributed commodities and deferred revenue.

Note 2. Summary Of Significant Accounting Policies (Continued)

Commodities received from the United States government are valued using guidelines published by the Commodity Credit Corporation (an agency of the United States government). Commodity donations from other donors are recorded at their insurable value, which approximates market value. CRS also receives contributions of pharmaceuticals for distribution overseas. Some of these pharmaceuticals are from United States producers and are approved by the United States Food and Drug Administration (FDA) for use in the United States. Some are from manufacturers in other countries for HIV/AIDS anti-retroviral therapies approved by the FDA, but are not approved for use in the United States.

In determining the fair value for these pharmaceuticals, management has concluded that the geographical areas where these are distributed do not represent its principal market and therefore considers the most advantageous market to be the United States for those approved for use in the United States, and for those from foreign manufacturers the most advantageous market is the foreign country in which they were produced. Therefore, those approved for use in the United States are recorded at the wholesale value as indicated in recognized industry publications. Those produced by foreign manufacturers are valued at the wholesale value negotiated with those producers in the country of origin. Other in-kind contributions are recorded at fair value.

<u>Other government funding and exchange transactions</u>: 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.

<u>Functional allocation of expenses</u>: The costs of providing CRS's 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.

<u>Joint costs</u>: Expenses related to the Operation Rice Bowl program jointly support fundraising and educational and other programming. These expenses totaled $1,254,000 and $1,160,000 for the years ended September 30, 2011 and 2010, respectively. Expenses were allocated 20 percent to fundraising and 80 percent to program services for fiscal year 2011 and 22 percent to fundraising and 78 percent to program services for fiscal year 2010.

<u>Self-insured medical plan</u>: 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's estimates of the aggregate liability for claims incurred.

<u>Income taxes</u>: CRS is generally exempt from Federal income taxes under IRC §501(c)(3). 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, 2011 and 2010, CRS has concluded it has no such unrelated business income.

CRS has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this policy, CRS may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position.

Management evaluated CRS's tax positions and concluded that CRS had taken no uncertain tax positions that require adjustments to the financial statements to comply with the provision of this guidance. CRS would be liable for income taxes in the U.S. federal jurisdiction.

Note 2. Summary Of Significant Accounting Policies (Continued)

Subsequent events: CRS has established a general standard of accounting for the disclosure of events that occur after the statement of financial position date through the date the financial statements are issued. CRS evaluated subsequent events through March 30, 2012, which is the date the financial statements were issued.

Reclassification: Certain of the 2010 comparative amounts were reclassified to conform to the 2011 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, 2011 and 2010, $100,836,000 and $92,244,000, respectively, of deposits were in excess of FDIC insurance including $57,156,000 and $52,843,000, respectively, held in numerous financial institutions outside of the United States. Short-term operating investments of $8,344,000 and $6,513,000 were also held in numerous financial institutions outside of the United States at September 30, 2011 and 2010, respectively.

CRS invests in a professionally managed portfolio that contains shares of U.S. Treasury securities, equity securities and corporate and other private 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 micro-finance 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, 2011 and 2010, micro-finance loans receivable totaled $6,059,000 and $7,062,000, respectively. As of September 30, 2011 and 2010, the allowances for doubtful accounts on all accounts receivable and microfinance loans were $7,504,000 and $5,525,000, respectively. Other assets include charitable trust receivables of $10,479,000 and $9,968,000 at September 30, 2011 and 2010, respectively. The remaining portion of accounts receivable and other assets at September 30, 2011 and 2010, consists of trade receivables and prepaid expenses.

Note 5. Investments And Fair Value Measurements

CRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and within a fair value hierarchy. The fair value hierarchy gives the highest rank to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest rank to unobservable inputs (Level 3). Inputs are broadly defined as data that market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described below:

> Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Listed equities and holdings in mutual funds are types of investments included in Level 1.

Note 5. Investments And Fair Value Measurements (Continued)

Level 2 – Inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 2 includes the use of models or other valuation methodologies. Investments which are generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds, U.S. government bonds and notes, and over-the-counter derivatives.

Level 3 – Inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. CRS's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the investment. The following section describes the valuation techniques used by CRS:

Level 1 – Investments in securities traded on a national securities exchange, or reported on the NASDAQ national market, are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 1 in the fair value hierarchy.

Level 2 – Investments in corporate bonds, government obligations and convertible securities are stated at the last reported sales price on the day of valuation. These financial instruments are classified as Level 2 in the fair value hierarchy. Investments in international equities represent an investment pool, for which the fair value has been estimated by the investment managers using the net asset value per share. The pool has monthly liquidity and is open on the first business day of the month; five days advance notice is required before any distributions. CRS has classified these investments as Level 2. CRS's interest rate swap is observable at commonly quoted intervals for the full term of the swap and, therefore, is considered a Level 2 item. For the interest rate swaps in an asset position, the credit standing of the counter party is analyzed and factored into the fair value measurement of the asset. Fair value measurement of a liability must reflect the nonperformance risk of the entity. Therefore, the impact of CRS's credit worthiness has also been factored into the fair value measurement for the interest rate swap in a liability position.

Level 3 – Charitable trusts are stated at fair value, using present value calculations of the trusts discounted at a rate of 6 percent for 2011. There is no active market for selling beneficial interests in charitable trusts; therefore, these financial instruments are classified as Level 3 in the fair value hierarchy.

The overall total of investments held at September 30, 2011, including securities detailed in the fair value disclosure, is as follows below (in thousands):

Non-segregated investments		$ 196,293
Segregated gift annuities	$ 46,682	
Segregated pooled income fund	1,780	
Total segregated investments		48,462
Total investments		244,755
Accrued interest and cash equivalents		(1,235)
Segregated cash equivalents		(1,518)
Investments included in fair value disclosure		$ 242,002

Note 5. Investments And Fair Value Measurements (Continued)

The following table presents CRS's fair value hierarchy for those assets reflected in the statement of financial position, measured at fair value on a recurring basis as of September 30, 2011 (in thousands):

		Fair Value Measurements Using		
Description	**Total**	**Quoted Prices In Active Markets For Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Financial assets:				
U.S. equities:				
Materials	$ 1,527	$ 1,527	$ -	$ -
Industrials	5,576	5,576	-	-
Telecommunications	1,094	1,094	-	-
Consumer discretionary	4,537	4,537	-	-
Consumer staples	5,514	5,514	-	-
Energy	5,323	5,323	-	-
Financials	7,036	7,036	-	-
Health care	4,610	4,610	-	-
Information technology	8,004	8,004	-	-
Utilities	1,385	1,385	-	-
Other equities	82	82	-	-
International equities	9,930	-	9,930	-
Fixed income securities:				
U.S. treasury obligations	41,362	-	41,362	-
U.S. government agency bonds	35,352	-	35,352	-
Mortgage backed securities	18,771	-	18,771	-
Asset backed securities	26,273	-	26,273	-
Corporate, foreign and other obligations	57,282	-	57,282	-
Other types of securities:				
Overseas investments	8,344	-	8,344	-
Total investments	$ 242,002	$ 44,688	$ 197,314	$ -
Charitable trusts	$ 9,093	$ -	$ -	$ 9,093
Financial liabilities:				
Interest rate swap contracts	$ (5,460)	$ -	$ (5,460)	$ -

Note 5. Investments And Fair Value Measurements (Continued)

The overall total of investments held at September 30, 2010, including securities detailed in the fair value disclosure, is as follows below (in thousands):

Non-segregated investments		$ 201,704
Segregated gift annuities	$ 46,195	
Segregated pooled income fund	1,837	
Total segregated investments		48,032
Total investments		249,736
Accrued interest and cash equivalents		(1,253)
Segregated cash equivalents		(2,743)
Investments included in fair value disclosure		$ 245,740

The following table presents CRS's fair value hierarchy for those assets reflected in the statement of financial position, measured at fair value on a recurring basis as of September 30, 2010 (in thousands):

		Fair Value Measurements Using		
Description	Total	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
U.S. equities:				
Materials	$ 2,420	$ 2,420	$ -	$ -
Industrials	5,391	5,391	-	-
Telecommunications	1,951	1,951	-	-
Consumer discretionary	6,576	6,576	-	-
Consumer staples	6,056	6,056	-	-
Energy	5,754	5,754	-	-
Financials	9,011	9,011	-	-
Health care	5,798	5,798	-	-
Information technology	10,532	10,532	-	-
Utilities	1,741	1,741	-	-
Other equities	496	496	-	-
Fixed income securities:				
U.S. treasury obligations	47,690	-	47,690	-
U.S. government agency bonds	33,754	-	33,754	-
Mortgage backed securities	14,376	-	14,376	-
Asset backed securities	33,963	-	33,963	-
Corporate, foreign and other obligations	53,718	-	53,718	-
Other types of securities:				
Overseas investments	6,513	-	6,513	-
Total investments	$ 245,740	$ 55,726	$ 190,014	$ -
Charitable trusts	$ 8,659	$ -	$ -	$ 8,659
Financial liabilities:				
Interest rate swap contracts	$ (4,366)	$ -	$ (4,366)	$ -

Note 5. Investments And Fair Value Measurements (Continued)

Changes in Level 3 assets for the years ended September 30, 2011 and 2010, were as follows (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Charitable Trusts	
	2011	2010
Beginning balance, October 1,	**$ 8,659**	$ 8,075
Purchases	**558**	-
Distributions	**(501)**	(397)
Change in valuation	**377**	981
Ending balance, September 30,	**$ 9,093**	$ 8,659

CRS invests in investment pools for which the total investment is split between CRS's investment and pension plan portfolios. Information pertaining to this investment is as follows (in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Long-term value and growth fund	$ 14,368	$ -	Monthly	5 days

The above fund includes investment pools that seek long term capital appreciation through two investment portfolios. The Value Fund invests in non-U.S. stocks of low valuation which the manager believes have the capacity to rebound in value, while the Growth Fund invests in non-U.S. stocks at a higher price-to-earnings ratio which the manager believes have strong prospects for continued growth.

Note 5. Investments And Fair Value Measurements (Continued)

Pension plan assets as of September 30, 2011, not reflected in the statement of financial position (in thousands):

		Fair Value Measurements Using		
Description	Total	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment component				
Equities:				
Materials	$ 803	$ 803	$ -	$ -
Industrials	2,888	2,888	-	-
Consumer discretionary	1,283	1,283	-	-
Consumer staples	1,779	1,779	-	-
Energy	1,864	1,864	-	-
Financials	1,905	1,905	-	-
Health care	1,272	1,272	-	-
Information technology	2,291	2,291	-	-
Utilities	136	136	-	-
Common stock	209	209	-	-
Miscellaneous	188	188	-	-
International equities	4,438	-	4,438	-
Fixed income securities:				
U.S. treasury obligations	4,218	-	4,218	-
U.S. government agency bonds	4,129	-	4,129	-
Corporate and foreign bonds	3,786	-	3,786	-
Total investments	$ 31,189	$ 14,618	$ 16,571	$ -

Cash, cash equivalents, and accrued interest are excluded from the fair value hierarchy as cash is generally measured at cost. As such, $1,563,000 at September 30, 2011, has been excluded from this table.

Note 5. Investments And Fair Value Measurements (Continued)

Pension plan assets as of September 30, 2010, not reflected in the statement of financial position (in thousands):

			Fair Value Measurements Using	
Description	Total	Quoted Prices In Active Markets For Identical Assets (Level I)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment component				
Equities:				
Materials	$ 1,508	$ 1,508	$ -	$ -
Industrials	1,971	1,971	-	-
Telecommunications	404	404	-	-
Consumer discretionary	2,565	2,565	-	-
Consumer staples	1,586	1,586	-	-
Energy	2,013	2,013	-	-
Financials	2,150	2,150	-	-
Health care	2,199	2,199	-	-
Information technology	3,312	3,312	-	-
Utilities	430	430	-	-
Common stock	69	69	-	-
Fixed income securities:				
U.S. treasury obligations	2,533	-	2,533	-
U.S. government agency bonds	3,668	-	3,668	-
Corporate and foreign bonds	2,737	-	2,737	-
Total investments	$ 27,145	$ 18,207	$ 8,938	$ -

Cash, cash equivalents, and accrued interest are excluded from the fair value hierarchy as cash is generally measured at cost. As such, $1,997,000 at September 30, 2010, has been excluded from this table.

For the period from October 1, 2010, through September 30, 2011, the application of the valuation techniques applied to similar assets and liabilities has been consistent.

Note 6. Gift Annuities And Pooled Income Fund

CRS is required under various statutory regulations to segregate a certain level of appropriate investments to support its charitable gift annuity 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.

During the years ended September 30, 2011 and 2010, CRS received $3,841,000 and $2,346,000, respectively, of new charitable gift annuities and pooled income fund contributions, earned net investment income of $1,336,000 and $1,363,000, respectively, and made contractual annuity payments of $4,134,000 and $4,125,000, respectively.

Note 6. Gift Annuities And Pooled Income Fund (Continued)

During the years ended September 30, 2011 and 2010, the pooled income fund made earnings distributions to participants of $139,000 and $84,000, respectively.

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

Note 7. 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 gains of $1,554,000 and $907,000 for the years ended September 30, 2011 and 2010, respectively, are included in printing, supplies and other office expenses and investment income.

Note 8. Land, Building And Equipment

Land, building and equipment, at cost, at September 30, 2011 and 2010, are summarized as follows (in thousands):

	2011	2010
Land	**$ 463**	$ 743
Building and improvements	**37,346**	36,551
Furniture and equipment	**70,005**	63,595
	107,814	100,889
Less accumulated depreciation	**(55,090)**	(50,608)
	$ 52,724	$ 50,281

Land, building and equipment includes restricted and grant assets of $6,624,000 and $5,598,000 at September 30, 2011 and 2010, respectively. Of these assets, $3,989,000 and $3,796,000 at September 30, 2011 and 2010, respectively, are restricted in compliance with federal program grant agreements as to use, resale and maintenance.

CRS entered into a capital lease agreement for its headquarters building in Baltimore, Maryland in 2006. The lease is for an initial term of 30 years ending in 2036, with 3 five-year renewal options. The minimum lease payment under this agreement of $13,465,000 was paid in full on the rent commencement date. Minimum rent for the renewal periods will be determined on the basis of 90 percent of the then fair market rental for the first renewal year, with subsequent years' rent increasing based on the Consumer Price Index.

Land, building and equipment at September 30, 2011, include $30,367,000 for leasehold improvements, capitalized lease and other costs expended, including capitalized interest of $1,232,000, for the 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, 2011 and 2010, were $4,574,000 and $4,418,000, respectively.

Note 8. Land, Building And Equipment (Continued)

Minimum annual lease payments on operating leases are as follows (in thousands):

Years Ending September 30,		
2012	$	222
2013		201
2014		207
2015		172
2016		79
	$	881

Note 9. Long-Term Debt

To finance the capital lease obligation for its headquarters building, CRS has an outstanding term loan with Bank of America in the amount of $10,400,000 and $11,051,000 at September 30, 2011 and 2010, respectively. The loan matures on 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 percent or .30 percent depending on the liability coverage ratio as defined in the agreement. Monthly principal payments began on June 1, 2008, and adjust each year on the basis of full amortization through May 1, 2023.

CRS has 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.

The bonds are collateralized by an irrevocable letter of credit in the amount of $19,742,514. The letter of credit has an expiration date of June 15, 2012, but will automatically be extended for a period of four years if no event of default has occurred as of May 1, 2012.

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 $3,095,000 of the taxable term loan, at a fixed rate of 4.96 percent, 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 percent of LIBOR, and fixes the interest rate at 3.40 percent, through May 1, 2036.

The value of the swap instruments as of September 30, 2011 and 2010, and the change in value is reflected as follows (in thousands):

		2011		2010
Beginning balance, October 1	**$**	**4,366**	$	2,916
Unrealized loss		**1,094**		1,450
Ending balance, September 30	**$**	**5,460**	$	4,366

Note 9. Long-Term Debt (Continued)

This obligation is included in accounts payable and accrued expenses. The annual change in the value of these instruments is included in the realized and unrealized 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.

Future annual maturities on long-term debt as of September 30, 2011, are as follows (in thousands):

Years Ending September 30,		
2012	$	684
2013		721
2014		756
2015		793
2016		834
2017 – 2036		26,167
	$	29,955

Note 10. Commodities Received And Other In-Kind Contributions

Commodities received and other in-kind contributions for the years ended September 30, 2011 and 2010, consist of the following (in thousands):

		2011		2010
Agricultural commodities donated by USAID and USDA	**$**	**91,800**	$	96,897
Commodities and other contributions provided by the UN and other donors		**13,194**		36,452
Pharmaceuticals donated by US DHHS		**9,703**		5,006
Pharmaceuticals provided by other donors		**5,298**		8,238
Ocean freight		**44,044**		94,184
Total agricultural, commodities and ocean freight	**$**	**164,039**	$	240,777
Medical supplies and other tangible assets	**$**	**9,260**	$	9,386
Donated services		**276**		3,526
Total in-kind contributions	**$**	**9,536**	$	12,912

Note 11. Investment Earnings

The components of return on investments described in Note 5, as well as earnings on micro-finance lending, cash equivalents and segregated investments for the years ended September 30, 2011 and 2010 are as follows (in thousands):

	2011	2010
Dividends and interest	**$ 5,337**	$ 5,954
Realized gain on investments	**4,744**	1,379
Unrealized (loss) gain on investments	**(6,633)**	8,416
Investment management fees	**(1,058)**	(715)
	$ 2,390	$ 15,034

Note 12. Retirement Plans

CRS has a non-contributory defined benefit pension plan covering all lay employees who have completed one year 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, 2011 and 2010, paid $461,000 and $292,000, respectively, for retirees' healthcare coverage. The expected contribution for the year ended September 30, 2012 is $340,000.

Note 12. Retirement Plans (Continued)

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, 2011 and 2010 (in thousands):

	Pension Benefits		Post-Retirement Health	
	2011	2010	**2011**	2010
Change in projected benefit obligation				
Benefit obligation at beginning of period	**$ 62,794**	$ 47,924	**$ 9,210**	$ 6,925
Service cost	**4,900**	4,591	**498**	473
Interest cost	**3,734**	3,091	**543**	445
Plan amendments	**30**	-	**-**	-
Actuarial loss	**3,400**	7,948	**2,925**	1,659
Plan participant contributions	**-**	-	**33**	30
Benefits paid	**(713)**	(760)	**(494)**	(322)
Benefit obligation at end of period	**$ 74,145**	$ 62,794	**$ 12,715**	$ 9,210
Change in plan assets				
Fair value of plan assets at beginning of period	**$ 29,142**	$ 23,391	**$ -**	$ -
Actual return on plan assets	**(698)**	1,696	**-**	-
Employer contributions	**5,021**	4,815	**461**	292
Plan participant contributions	**-**	-	**33**	30
Benefits paid	**(713)**	(760)	**(494)**	(322)
Fair value of plan assets at end of period	**32,752**	29,142	**-**	-
Funded status at end of year	**$ (41,393)**	$ (33,652)	**$ (12,715)**	$ (9,210)
Amounts recognized in statement of financial position	**$ (41,393)**	$ (33,652)	**$ (12,715)**	$ (9,210)
Amounts recognized in non-operating revenue and expenses				
Unrecognized transition obligation	**$ -**	$ -	**$ 468**	$ 612
Unrecognized prior service cost	**80**	67	**-**	-
Net loss (gain)	**23,309**	17,552	**2,896**	(30)
Accrued benefit cost	**$ 23,389**	$ 17,619	**$ 3,364**	$ 582
Components of net periodic benefit cost				
Service cost	**$ 4,900**	$ 4,591	**$ 498**	$ 473
Interest cost	**3,734**	3,091	**543**	445
Expected return on plan assets	**(2,619)**	(2,198)	**-**	-
Net amortization and deferral	**978**	396	**144**	66
Total net periodic benefit cost	**$ 6,993**	$ 5,880	**$ 1,185**	$ 984
Weighted-average assumptions				
Discount rate	**5.00%**	6.00%	**5.00%**	6.00%
Expected return on plan assets	**8.50%**	8.50%	**N/A**	N/A
Rate of compensation increase	**4.50%**	5.00%	**N/A**	N/A

Note 12. 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's 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:

Asset Class	Minimum	Target	Maximum
U.S. equities	35%	50%	65%
International equities	10%	15%	20%
Fixed income	25%	35%	45%

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 are considered in the estimate of the expected long-term rate of return on plan assets.

Allocation of plan assets at September 30, 2011 and 2010 (in thousands):

	2011		2010	
	Amount	Percent	Amount	Percent
Equity and equivalents	**$ 19,056**	58.2%	$ 18,207	62.5%
Fixed income	**12,133**	37.0%	8,938	30.7%
Cash equivalents	**1,563**	4.8%	1,997	6.8%
	$ 32,752	100.0%	$ 29,142	100.0%

The pension plan contribution for the year ending September 30, 2012, is expected to be $5,260,000. The plans expected payouts for the next five years and in the aggregate are as follows:

Fiscal year	Payout
2012	$ 2,543,000
2013	2,172,000
2014	2,261,000
2015	2,996,000
2016	3,342,000
Thereafter	22,709,000

Note 12. Retirement Plans (Continued)

The healthcare inflation rates for 2011 and 2010 are assumed to be 7.50 percent and 8.00 percent, respectively. The health care cost trend rate for the year ended September 30, 2012, is assumed to be 10 percent for individuals under 65 and 7 percent for individuals aged 65 and over. The 5 percent ultimate rate is projected to be reached by 2016 for individuals under 65 and by 2015 for individuals aged 65 and over. A 1 percentage point increase in the healthcare inflation rate from the assumed rate could increase the accumulated post-retirement health benefit obligation by approximately $2,885,000 as of September 30, 2011, and would increase the aggregate of the service cost and interest cost components of net periodic post-retirement health benefit cost for 2011 by approximately $267,000. A 1 percentage point decrease in the healthcare inflation rate from the assumed rate could decrease the accumulated post-retirement health benefit obligation by approximately $2,216,000 as of September 30, 2011, and would decrease the aggregate of the service cost and interest components of net periodic post-retirement health benefit cost for 2011 by approximately $203,000.

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 percent of the participant's contribution, not to exceed 3 percent of the participant's eligible earnings. The contributions are invested in various mutual funds chosen by the participant. CRS contributed $994,000 and $670,000 for the years ended September 30, 2011 and 2010, 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 13. 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's loss per individual employee to $150,000. 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's expense under the self-insured medical plan amounted to $5,280,000 and $4,675,000 for the years ended September 30, 2011 and 2010, respectively.

Note 14. Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2011 and 2010, are composed of the following (in thousands):

	2011	2010
Time restricted:		
Charitable trusts	**$ 8,746**	$ 8,171
Pooled income fund	**793**	744
Total	**9,539**	8,915
Program restricted	**127,747**	129,811
Total temporarily restricted net assets	**$ 137,286**	$ 138,726

Note 14. Temporarily Restricted Net Assets (Continued)

Net assets were released for the following purposes during 2011 and 2010 (in thousands):

	2011	2010
Program restricted purposes met	**$ 68,504**	$ 57,939
Time restricted purposes met	**6**	317
	$ 68,510	$ 58,256

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 15. Endowments

Interpretation of relevant law: CRS has interpreted the state of Maryland's enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, CRS classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets, until those amounts are appropriated for expenditure by CRS in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, CRS considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

a. The duration and preservation of the fund
b. The purposes of CRS and the donor-restricted endowment fund
c. General economic conditions
d. The possible effects of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of CRS
g. The investment policies of CRS

Return objective and risk parameters: The long-term goal of the Endowment Funds is to achieve appreciation of assets without exposure to undue risk. The portfolio is expected to support desired spending, provide additional growth to cover operating expenses and preserve the purchasing power of the endowment assets over time, net of all fees, over a five-year moving time period.

Spending policy: The current policy is to distribute an amount up to 5 percent of the average market value of the endowment based on a 12 quarter moving average, adjusted for contributions and distributions.

Note 15. Endowments (Continued)

Endowment Net Asset Composition By Type Of Fund
As Of September 30, 2011 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,005	$ 1,005
Undesignated – other endowment funds	-	-	3,498	3,498
Third-party trust assets	-	-	1,733	1,733
Total funds	$ -	$ -	$ 6,236	$ 6,236

Endowment Net Asset Composition By Type Of Fund
As Of September 30, 2010 (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 1,004	$ 1,004
Undesignated – other endowment funds	-	-	3,013	3,013
Third-party trust assets	-	-	1,797	1,797
Total funds	$ -	$ -	$ 5,814	$ 5,814

Changes In Endowment Net Assets
For The Year Ended September 30, 2011
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ -	$ -	$ 5,814	$ 5,814
Net investment income (loss)	-	8	(64)	(56)
Contributions	-	-	486	486
Endowment draw to operating	-	(8)	-	(8)
Endowment net assets, end of the year	$ -	$ -	$ 6,236	$ 6,236

Note 15. Endowments (Continued)

Changes In Endowment Net Assets
For The Year Ended September 30, 2010
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ (90)	$ -	$ 5,704	$ 5,614
Net investment income	90	265	102	457
Contributions	-	-	8	8
Endowment draw to operating	-	(265)	-	(265)
Endowment net assets, end of the year	$ -	$ -	$ 5,814	$ 5,814

Note 16. 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, 2011 and 2010, 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's financial position, change in net assets, or cash flow.

Note 17. Sale Of Thaneakea Phum (Cambodia) Ltd. (TPC)

On February 2, 2010, CRS completed the sale of its 87.33 percent interest in Thaneakea Phum (Cambodia) Ltd. (TPC), a micro-finance subsidiary, to DMW Funds, for $5,500,000. The net assets of TPC transferred to the buyer were $5,013,000.

Note 18. Haiti Earthquake Response

On January 12, 2010, a catastrophic earthquake struck Haiti. CRS responded to provide emergency relief and is providing long-term recovery and reconstruction assistance. The following is a financial summary of the activity from inception through September 30, 2011 (in thousands):

	Private Contributions	Other Donors, Including U.S. Government	Total
Contributions and grant revenue	$ 126,560	$ 59,665	$ 186,225
Investment income	3,344	2	3,346
Total revenue	129,904	59,667	189,571
Total expenses	59,028	59,306	118,334
Net assets at September 30, 2011	$ 70,876	$ 361	$ 71,237

As a part of the response the United States Conference of Catholic Bishops (USCCB) initiated an appeal to U.S. dioceses for donations to be remitted to CRS. This diocesan response amounted to $83,806,000 through September 30, 2011. In addition to providing emergency relief funding for CRS's response, this appeal also designated a portion specifically for rebuilding of church structures in Haiti. Overall response proceeds include $50,284,000 designated for emergency relief, and $33,522,000 designated for rebuilding of church structures. This latter portion is managed by the USCCB Subcommittee on the Church in Latin America, and is reflected as a liability to USCCB on the statement of financial position.