Last year we came together as an agency to take stock of where we were and to chart a course for the future. Staff at every level in the organization and in every country and region where we work were asked to contribute to this process – no small feat with 4,000 people working in more than 87 countries and territories.

The resulting vision of a world transformed by solidarity provides us with a goal to reach for. We seek a world drawn closer together through the bonds of our common humanity. For many, the term solidarity is an unfamiliar one, invoking – if anything – images of labor strikes in Poland during the cold war. Solidarity, however, is much more than a historical footnote; it comes from Catholic social teaching and reminds us that we are all part of one human family.

We are not blind to the world as it exists; but as an American and Catholic agency, we are called to imagine the world as it could be. If the events of September 11 served to remind us of the deep hatred in the world, they also underscored the urgency with which we must undertake the building of solidarity.

Accordingly, we have reaffirmed our commitment to the work we do overseas in the areas of agriculture and education, through HIV/AIDS care, through health and clean water projects, with microcredit programming to help rural women start small businesses and in fostering peace and reconciliation among people.

All of this we have done and will continue to do: a commitment to care for the physical, emotional and spiritual needs of those we serve around the world.

In line with this commitment and desire to help Catholics in the United States forge real connections with the poor and marginalized overseas, linking those we represent with those we serve is an important step in building a world where peace and security, access to clean water, food and education are not accidents of geography but rights enjoyed by all.

We invite you to join us on this journey, to work with us and to pray for us, and we hope you can recognize in the pages that follow, the faces of your brothers and sisters.
Has your identity as a U.S.-based Catholic agency caused any difficulties?

No. We have never disguised ourselves or tried to downplay our identity, and in a sense, I think that has helped us – there is no question as to who we are and why we do what we do. And our partners overseas have been overwhelmingly supportive. I can’t even count the number of condolence letters and e-mails we received in the days following September 11, and this support has continued. In any country where we work, the majority of our staff are from the local population – people of all faiths who share our commitment and our goals. Our presence and our programs can do more than deliver material assistance. I think it’s important that people around the world, particularly in areas where there is tension concerning the United States, see in us the face of U.S. Catholics – whose concern for the poor is not measured by borders.

In-country, our activities are typically carried out in partnership with the local church. In Afghanistan, however, there is a very limited history of church institutions. But we have opened an office in Kabul and are working with other Caritas organizations and local groups to help set up programs in agriculture, education and health. We are also working to help begin the reconciliation process, to assist the Afghan people in rebuilding their country and their lives. Additionally, we are still caring for thousands of Afghan refugees in camps on the Pakistan border. Many of them left their homes years ago, fleeing drought and civil war, and we will continue to care for them.

How will CRS handle the ongoing situation in Afghanistan?

They can pray for an end to injustice in the world; prayers for peace are needed now more than ever. We are also asking U.S. Catholics and others of good will to help us as we strive to raise additional funds to help the Afghan people in their post-war recovery, and to support the poor in countries throughout the world affected by the current instability. We have before us the opportunity – not just in South Asia – but in Africa, Eastern Europe, Latin America and the Middle East, to work to promote just and peaceful communities based on interfaith and interethnic dialogue, tolerance and understanding. Our identity tells us we must work for this; our history tells us it is possible.
South Africa

To look at the numbers in South Africa is to be given a quick lesson in the grim calculus of HIV/AIDS. With an estimated 4.7 million people infected, more than 400,000 orphans – and 2,000 new infections occurring every day – the numbers can be overwhelming. But the numbers do not tell the whole story. We see the faces and lives behind these numbers.

The AIDS Pandemic: A Catholic Response

In sub-Saharan Africa, the Catholic Church is a major provider of essential care and support for people living with HIV/AIDS; our work in South Africa exemplifies that commitment. Our commitment to fighting HIV/AIDS in South Africa means we work with the local church and other partners, caring for the sick and for the orphans left behind, raising awareness, helping to reduce the stigma against those infected and helping local communities to build the capacity to respond more effectively.

• Youth education – in a country where half of all 15-year-olds are expected to die from the disease, education is essential to preserving the future of South Africa. Raising awareness can save lives. HIV/AIDS is as much a development problem as a health one – it threatens to rob South Africa of the many gains made since the end of apartheid. We work with the Catholic Institute of Education, which is responsible for overseeing educational services provided at local Catholic schools, and have implemented a Life Skills Education program. This program will reach more than 120,000 children in over 300 schools, educating them about HIV/AIDS, giving them the tools to make sound decisions and helping schools to better cope with the impact of this disease.

• Comforting the sick and caring for those in need – it is no secret that AIDS drugs are unaffordable in most of the world. This lack of medical hope is often compounded by the stigma and fear attached to those with HIV/AIDS, leaving many to die alone. Projects like the one at St. Mary’s Hospital in KwaZulu Natal Province help to train family and community volunteers to care for those who are infected. This eases the strain on an already overburdened health system and allows patients to die with dignity, surrounded by those who love them. And for those children left behind or abandoned, we work to provide care for them while keeping them connected to their communities.

Africa Rising, Hope and Healing

We are working to raise awareness of the issues facing Africa and the ways that Africans themselves are rising to the challenge. With its focus on HIV/AIDS and building peace, the Africa campaign is helping U.S. Catholics to better understand the needs of a continent that is still a mystery to many.

Through educational forums, like the “National Gathering on Africa” held in Washington, DC in June 2001, and cosponsored by CRS, we are also helping U.S. Catholics to lend their voice and power as citizens to speak up for those whose stories have not been heard.

CRS supports nutrition and day care programs for the children of Freedom Park Squatter Camp (Rustenburg, South Africa), many of whom are HIV-positive.

Pamela Gilardi

Pamela Gilardi and her husband, Michael, began supporting CRS’ work for the poor overseas in the early 1990s. “I had been struggling with the question of how I could help, and I was delighted to find an agency that was not only very good at what they were doing but also using their funding quite wisely,” Pamela says.

Born in Russia, Ohio, Pamela now resides in Longwood, Florida, where she and her husband belong to the parish of The Annunciation, along with their three children and one grandchild. Prior to her involvement with CRS, Pamela and her husband had set up a family foundation, known as the Father’s Table Foundation, with the aim of helping women and children in need around the world. “Needless to say, CRS fit our mission like a glove; there were a few projects that my husband and I immediately got involved with: a village banking program and also a water project, both in Africa.”

Over the years, the Gilardis have become strong supporters of the agency’s work, providing emergency assistance in times of natural disasters and war, visiting projects in El Salvador, and also becoming active in special initiatives, like the recently launched Africa Rising, Hope and Healing campaign.
India, the second most populous country in the world, is also one of the poorest. And while the past 50 years have seen significant improvements – with life expectancies and literacy rates rising and infant mortality rates declining – there is still much work to be done. Right now, the number of people living on less than $1 a day in India is equal to the entire population of the United States. It’s estimated that almost 100 million of the 230 million Indian children between the ages of 6 and 14 are not in school. These children are working, often in dangerous and unsanitary conditions.

Providing an Education, Providing for the Future

Our work is founded on the idea that all children, regardless of caste or religion, deserve an education. When a child must work, she not only loses the chance to be a child but she may also miss out on an education and the chance to better her future. We are working with families, local communities and partners to help break the cycle of child labor.

- Building community support – combating child labor requires the support of the communities where children live and work. From urban centers to rural villages, our partners raise awareness about the importance of education. The main message is that children who are in school are less susceptible to exploitation and can improve their career potential. Literacy alone can be an invaluable tool in helping to better a child’s life and future prospects. Equally important, especially for those parents whose children work, is the idea that adults can earn higher wages when the employee pool shrinks.

- Making up for lost time – children who stop working and attend school are often years behind their peers. “Bridge” schools are designed to help students catch up through intensive curricula and student support. Students are then able to matriculate in the grade appropriate to their age. Working with partners like M. Venkatarama gaya Foundation, we help to train and support teaching assistants and assist with school facility rehabilitation – initiatives the local communities also contribute to.

Food Fast: Reaching U.S. Teens

Teenagers in the United States may be among the most “wired” on the planet, but they are often unaware of the realities that many their own age face in other parts of the world. Food Fast is a program for youth in grades 8-12 that combines a 24-hour fast with activities and exercises to help raise teens’ awareness of global issues and engage them in action on behalf of their peers overseas. This year’s program video, To Earn or Learn, discusses child labor in India and the struggle many there face to get an education. Food Fast offers teens a day that can change their outlook for life.

Girls at St. Agnes boarding school in Bajapali, India, are being given a chance at a better future.
Post-war Bosnia faces a daily struggle to overcome its past. The shells of buildings serve as reminders of the years of struggle and ethnic violence that nearly consumed the country. As people continue to return to their pre-war communities, they must not only rebuild their homes but also their lives. Yet unemployment remains high, posing a significant obstacle as the people of Bosnia try to build a productive and peaceful future.

We began our work in Bosnia in 1993, providing food during the war. With the signing of the Dayton Peace Agreement in 1995, we renewed our commitment to the people of Bosnia with projects to support families returning to their pre-war homes. This support comes in various forms, like home reconstruction and education assistance, and is targeted to all groups – Bosniaks, Serbs and Croats alike – regardless of ethnicity or religion.

Small Loans and Great Expectations

In a post-war society like Bosnia, women often have the fewest resources and are among the poorest. We are working to give the women of Bosnia more economic opportunities and the chance to build economic self-sufficiency. This is accomplished through Mikra, a microcredit institution designed to give low-income women loans and training to help start up or expand their small businesses.

- Standing together – to borrow from Mikra, women form community banks, called zadrugas, which are made up of 25 to 30 members. Each zadruga in turn consists of solidarity groups of three to five women. Loans are provided collateral-free, with the understanding that solidarity group members guarantee each other’s loans; likewise, if a solidarity group cannot repay its loan, the entire zadruga helps to make up the payment. This kind of group guarantee has proven effective in bringing together women from different backgrounds to work toward common goals. It has also proven financially sound, with less than one percent of Mikra’s outstanding loan balance currently in arrears.

- Making a difference – interest generated goes to support Mikra and provide future loans for more small businesswomen. And the additional income women earn through their businesses helps their families to meet household needs and strengthens the local economy.

- Moving ahead – this year Mikra officially registered as a Microcredit Organization, licensed and supervised by the Ministry of Social Affairs. This means that Mikra is on its way to becoming an independent and self-sustaining microcredit institution. Future plans include doubling the number of clients served over the next two years; Mikra is currently serving over 4,000 women throughout Bosnia.

Global Fellows

Over the past decade, the Global Fellows program has helped to further global awareness among U.S. seminarians through visits overseas. In Bosnia this year, participants spent time with project beneficiaries, staff, church officials and their Bosnian seminary counterparts, taking part in the daily life of the people. They visited Banja Luka and met Radmilla Pavlovic, who purchased her first sewing machine with a small loan backed by CRS. Since then, she has worked to improve her business, using subsequent loans to purchase new and better machines and sewing clothes to order for her clients.
Decades of conflict in Colombia – fueled by politics and economic inequities and complicated by the impact of drug-trafficking – have created a human rights crisis, with over 4,000 conflict-related civilian deaths this year, and one in four families having lost someone to violence. Entire communities have fled in fear for their lives, creating a population of refugees displaced within their own country’s borders. Paramilitaries, guerilla groups, the military and criminal organizations are at war, leaving the people of Colombia caught in the crossfire.

A Commitment to Peace

We are working with the National Secretariat of Social Ministry of the Colombian Episcopal Conference (the Catholic bishops’ conference in Colombia) and in conjunction with local dioceses to serve the most vulnerable Colombians.

- Assisting the displaced – families and communities who have been displaced face numerous challenges as they try to begin their lives again. Through projects such as Integrated Response to the Displaced, in the Diocese of Quibdó, we are assisting individuals who are currently displaced and at-risk, as well as those seeking to return home. The approach is an integrated one: offering support in health care, housing, legal training and agriculture assistance for returning individuals. By strengthening local communities, supporting local peace and reconciliation efforts and documenting human rights violations, we are helping ordinary Colombians rebuild their lives and work toward peace.

- RUTH: the lives behind the numbers – statistics are vital to creating sound programs, but they only tell part of the story. Behind the numbers of the displaced are life stories, hopes and dreams. With data gathered through surveys conducted by trained volunteers, the RUTH Database for the Displaced project – named after the biblical figure Ruth – provides detailed information that is used to design pastoral intervention programs for the displaced, which help with emergency programming and economic assistance. This information is also used for further research and advocacy on behalf of the displaced.

In Solidarity with Colombia

Designed in collaboration with the church in Colombia, CRS’ In Solidarity with Colombia program has developed on the foundation of increased cooperation between the Catholic Church in Colombia and the church in the United States. At the local level, we have increased programming with church partners for human rights training, peace building and humanitarian response. On a national scale, we are supporting initiatives that aim to support peace through active citizen participation. In the United States, we are working to raise awareness of the issues facing Colombia and help concerned Catholics take action. Through advocacy and prayer, Catholics in the United States can play an important role in helping combat violence and injustice in Colombia.
Violence in the Holy Land has become a staple of the evening news, a nightly and often graphic reminder of the hate that seethes in the region. For the people who live in Jerusalem, the West Bank, Gaza, and Israel, there is no way to simply turn off the television and escape. As a Catholic and American organization, we can no more ignore the violence and injustice than those we serve.

Meeting the Needs

We have been working in the region for more than 50 years, initially serving Polish and Hungarian refugees fleeing the war in Europe. We continue to serve those most in need. Our work addresses the current situation through a broad range of programming that focuses on emergency needs, long-term development and the ways in which both can help lead to a more just and peaceful society.

• Help for today – roadblocks and checkpoints keep people in as well as out. For many Palestinians living in the West Bank and Gaza, this means they are unable to reach work in the morning or return home safely at the end of the day. The violence has ended thousands of jobs for those lucky enough to have had one. We are working with ecumenical and interfaith coalitions to provide emergency grants that help families meet basic needs like food, medicine and utilities. We help feed some of the poorest and most vulnerable, including orphans, the handicapped and the elderly. We support employment programs to help families provide much needed income.

• Hope for tomorrow – community-led village services provide an opportunity for people in rural areas of the West Bank to work toward improving their communities. Building a school not only brings people together – it offers the next generation education and a chance at a better life. Likewise, rehabilitating a water system is a project the whole community can benefit from and take pride in, and one that future community members will benefit from as well.

• Healing – children in the region are often psychologically scarred by the world around them, particularly when violence is a daily occurrence. We provide counseling for these children and training for their parents and teachers on how to care for traumatized children.

A Call for Action

The situation in the Holy Land is one with spiritual as well as political dimensions: loss of hope and a sense of desperation have led many to believe that violence is the only answer. Yet hope and peace can be restored only if they are built on justice. Helping us meet this challenge and answer the call of Palestinians and Israelis is the Conference of Major Superiors of Men (CMSM) and the Leadership Council of Women Religious (LCWR), which represent more than 100,000 Catholic religious through orders and congregations. Working with CMSM and LCWR, we hope to engage Americans in the work of building a lasting peace and creating bridges of understanding between people based on nonviolent solutions. We look to be advocates on behalf of those who are suffering, not as one more voice taking sides in the conflict but as a voice of justice and peace for all whom we serve.

For many Palestinian families, safe water is a precious commodity – CRS is working to provide communities with access to clean water.
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CRS helps indigenous women in Ecuador with programs in health care and microfinance.

Farmers in Cambodia are learning how to increase their crop yield and sustain the land with help from CRS.
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Nona Jean Karcholl
Mary C. Kearney
Richard J. Keep
Catherine F. Kelew
Mary Virginia Kelly
Mabel Rosalie Kempe
John Kiwich
Fr. Edward F. Klein
Jeanette M. Kloeke
Anna E. Kotbera
Dorothy Kaligowski
Marie L. Katcher
Bernard Labreche
Frank Lathem
LeVerne W. Lang
Barbara T. Langan
Frances C. Larson
Irma C. LoGrande
Regina C. and Robert E. Lent
Emer J. Lonergan
Anne S. Loussert
Erin J. Lows
James Lux
Mary Jane Madden
Janet E. Maguire
John Makleike
Josephine McCaffery
Mary E.C. McGowan
Annamarie M. Moberg
Margaret Miller
Richard B. Mitchell
Magr. Joseph T. Motarity
Mary R. Mukay

Adelbert G. Neese
Rath E. Niece
Leon K. Preston
Betty Reis
Evelyn Reisman
Teresa Welch Richards
Nora Rothscheld
Marie L. Rovere
Mary Anna Scharres
Carles Schneider
Mariana Schneider
Dorothea A. Schulte
Peter and Dorothy Schwinghammer
Mgr. Robert J. Seinette
Lucille E. and Bernard M. Smith
Mary C. Smith
Anthony G. Sporer
Ann M. Stahl
Wanda T. Stanul
Helen M. Staunton
Charlotte H. Stringer
Richard H. Stolman
Fr. Joseph N. Streff
Fr. Herman Strub
Gerald A. Sullivan
Marie B. Swanton
Mary Charlotte Taylor
Bernice Tetmalt
Catherine H. Tilghman
Josephine V. Vlahovich
Marie C. Vlahovich
M. Denise Weber
Rose C. Weber
Mary Weiland
Loretta Welsh
James L. Wharton
Fr. Leland P. Wilson
Madeleine C. Wood
George W. Zeller
As members of our Leadership Council, Dennis and Mary Tippmann of Fort Wayne, Indiana, give generously to help CRS meet the needs of those we serve. They not only support fundraising efforts but also donate their time to help raise awareness about the developing world. Indeed, their involvement is something of a family affair.

Some years ago, Dennis, the owner of Tippmann Pneumatics as well as an inventor and holder of several U.S. patents, was looking for a way to help the poor overseas. “We always gave through our church, but then we decided that we needed to do more.” Enter Fr. Larry Tippmann, Dennis’ older brother, who recommended CRS, saying “they do good for the poor all over the world – there are no boundaries.”

Another brother, John (there are 9 in all), and his wife Jackie have also become involved, moved in part by Dennis’ enthusiasm for CRS’ mission and for the efficiency with which it is carried out. And last summer, the next generation took up the Tippmanns’ legacy of generosity: Dennis and Mary’s son Stanley and his new wife Sarah donated some of the money they received as gifts for their wedding.

On a recent trip to Honduras to visit Hurricane Mitch recovery projects, Dennis and Mary saw the hope the Honduran people had despite the adversity they faced. They saw projects that provided clean water and programs designed to teach farmers new ways of planting. And they saw firsthand the difference that one family can make.

“Few people care for the poor overseas, who seem so far away and for whom there are few or no safety nets,” says Patrick Mandracchia. For Pat and his wife, Giovanna, who were both CRS donors before they met, helping the poor overseas is part of a commitment to living out their faith.


“Giving 10 percent off the top of our income was a challenging decision, since we are not financially wealthy. Like most folks, we have the monthly mortgage, utility bills and those unexpected car and house repairs. And, we are trying to save for the children’s college and for our own retirement. In the face of these concerns, however, we felt we could not, in good conscience, continue to partake of the material blessings so abundant here in the United States unless we did something to help those most in need.”

Through their continued support of CRS, the Mandracchias have helped to deliver hope and life-sustaining aid to those in need around the world, touching countless lives. “We are delighted that 90 cents of every dollar we give to CRS goes to the poor and to programs that encourage self-help, like literacy training, agricultural projects and small loans to women who want to start their own businesses.”
Small loans to women in Egypt have helped many to achieve economic self-sufficiency, improving their lives and the lives of their families.

### Financial Summary

**For the year ended September 30, 2001 (in thousands)**

#### Operating revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>109,758</td>
<td>32.8%</td>
</tr>
<tr>
<td>Agricultural, Other Commodities and Ocean Freight</td>
<td>107,838</td>
<td>32.2%</td>
</tr>
<tr>
<td>Cash Grants from USG</td>
<td>88,231</td>
<td>26.4%</td>
</tr>
<tr>
<td>All Other Support</td>
<td>28,596</td>
<td>8.6%</td>
</tr>
<tr>
<td><strong>Total Operating Revenue</strong></td>
<td>334,423</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

#### Operating expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>39,761</td>
<td>11.5%</td>
</tr>
<tr>
<td>Education</td>
<td>37,365</td>
<td>10.8%</td>
</tr>
<tr>
<td>Emergency</td>
<td>106,533</td>
<td>29.2%</td>
</tr>
<tr>
<td>Small Enterprise</td>
<td>11,083</td>
<td>3.4%</td>
</tr>
<tr>
<td>Health</td>
<td>77,354</td>
<td>22.5%</td>
</tr>
<tr>
<td>Peace and Justice</td>
<td>21,494</td>
<td>6.2%</td>
</tr>
<tr>
<td>Welfare</td>
<td>21,050</td>
<td>6.3%</td>
</tr>
<tr>
<td>Management and general</td>
<td>13,807</td>
<td>4.0%</td>
</tr>
<tr>
<td>Fund-raising and Public Awareness</td>
<td>21,033</td>
<td>6.1%</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>344,880</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
Catholic Relief Services – United States Catholic Conference, Incorporated

Independent Auditors’ Report
September 30, 2001

To the Board of Directors
Catholic Relief Services — United States Catholic Conference, Incorporated:

We have audited the accompanying statement of financial position of Catholic Relief Services — United States Catholic Conference, Incorporated (CRS) as of September 30, 2001, and the related statements of activities, cash flows and schedule of functional expenses for the year then ended. These financial statements and schedule are the responsibility of CRS’ management. Our responsibility is to express an opinion on these financial statements and schedule based on our audit. The comparative financial totals as of and for the year ended September 30, 2000, were derived from the financial statements and supplemental schedule of CRS for the year ended September 30, 2000, which were audited by other auditors whose report dated March 26, 2001, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedule 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 financial statements referred to above present fairly, in all material respects, the financial position of Catholic Relief Services — United States Catholic Conference, Incorporated as of September 30, 2001, 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.

As explained in Note 2 to the financial statements, effective October 1, 2000, CRS changed its method of accounting for undistributed commodity contributions to recognize the revenue and expense when the commodities are distributed and to record the undistributed commodities as an asset.

Baltimore, Maryland
April 1, 2002

Catholic Relief Services — United States Catholic Conference, Incorporated

Statements of Financial Position
September 30, 2001 and 2000
(in thousands)

**Assets**

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$35,173</td>
<td>$62,297</td>
</tr>
<tr>
<td>Accounts receivable and other assets</td>
<td>20,680</td>
<td>15,248</td>
</tr>
<tr>
<td>Bishops’ Committee allocation receivable</td>
<td>4,141</td>
<td>4,312</td>
</tr>
<tr>
<td>Charitable trust receivables</td>
<td>10,713</td>
<td>9,365</td>
</tr>
<tr>
<td>Segregated investments</td>
<td>34,277</td>
<td>29,461</td>
</tr>
<tr>
<td>Investments</td>
<td>113,309</td>
<td>109,564</td>
</tr>
<tr>
<td>Undistributed commodity contributions</td>
<td>13,947</td>
<td>15,743</td>
</tr>
<tr>
<td>Land, building and equipment, net</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$254,913</strong></td>
<td><strong>245,990</strong></td>
</tr>
</tbody>
</table>

**Liabilities and Net Assets**

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$18,646</td>
<td>$20,519</td>
</tr>
<tr>
<td>Advances received for programs</td>
<td>13,120</td>
<td>2,410</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>15,219</td>
<td>1,156</td>
</tr>
<tr>
<td>Annuities payable</td>
<td>27,157</td>
<td>21,837</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>8,487</td>
<td>7,676</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>82,629</strong></td>
<td><strong>53,598</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>92,406</td>
<td>108,925</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>78,572</td>
<td>81,884</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>1,306</td>
<td>1,583</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>172,284</strong></td>
<td><strong>192,392</strong></td>
</tr>
</tbody>
</table>

**Total liabilities and net assets**

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>$254,913</strong></td>
<td><strong>245,990</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
### Statement of Activities

For the year ended September 30, 2001

(with summarized comparative totals for the year ended September 30, 2000)

**[in thousands]**

#### Operating Revenues

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total 2001</th>
<th>Total 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. private donor, foundation and corporate contributions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bishops’ Committee allocation</td>
<td>$12,253</td>
<td></td>
<td></td>
<td>12,253</td>
<td>12,619</td>
</tr>
<tr>
<td>Operation Rice Bowl appeal</td>
<td>-</td>
<td>6,808</td>
<td>-</td>
<td>6,808</td>
<td>6,164</td>
</tr>
<tr>
<td>Contributions</td>
<td>53,085</td>
<td>28,575</td>
<td>-</td>
<td>81,660</td>
<td>82,812</td>
</tr>
<tr>
<td>Charitable trusts</td>
<td>-</td>
<td>307</td>
<td>-</td>
<td>307</td>
<td>81</td>
</tr>
<tr>
<td>Change in value of charitable trusts</td>
<td>-</td>
<td>1,076</td>
<td>-</td>
<td>1,076</td>
<td>1,265</td>
</tr>
<tr>
<td>In-kind contributions</td>
<td>7,654</td>
<td></td>
<td></td>
<td>7,654</td>
<td>14,812</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total contributions</td>
<td>72,992</td>
<td>36,766</td>
<td>-</td>
<td>109,758</td>
<td>117,753</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government, international organizations and other exchange transactions:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated agricultural, other commodities and ocean freight</td>
<td>107,838</td>
<td>-</td>
<td>-</td>
<td>107,838</td>
<td>133,116</td>
</tr>
<tr>
<td>Grants and agreements:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States government</td>
<td>88,231</td>
<td>-</td>
<td>-</td>
<td>88,231</td>
<td>81,043</td>
</tr>
<tr>
<td>Other</td>
<td>15,615</td>
<td>-</td>
<td>-</td>
<td>15,615</td>
<td>26,688</td>
</tr>
<tr>
<td>Investment and other income</td>
<td>11,531</td>
<td>1,442</td>
<td>-</td>
<td>12,981</td>
<td>14,568</td>
</tr>
<tr>
<td>Net assets released from program restrictions</td>
<td>41,481</td>
<td>(41,481)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating revenues</td>
<td>332,696</td>
<td>(3,273)</td>
<td>-</td>
<td>334,423</td>
<td>373,168</td>
</tr>
</tbody>
</table>

(continued)

#### Operating Expenses

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily restricted</th>
<th>Permanently restricted</th>
<th>Total 2001</th>
<th>Total 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agriculture</td>
<td>$39,761</td>
<td>-</td>
<td>-</td>
<td>39,761</td>
<td>43,134</td>
</tr>
<tr>
<td>Education</td>
<td>37,365</td>
<td>-</td>
<td>-</td>
<td>37,365</td>
<td>13,532</td>
</tr>
<tr>
<td>Emergency</td>
<td>100,533</td>
<td>-</td>
<td>-</td>
<td>100,533</td>
<td>151,994</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>11,683</td>
<td>-</td>
<td>-</td>
<td>11,683</td>
<td>20,069</td>
</tr>
<tr>
<td>Health</td>
<td>77,554</td>
<td>-</td>
<td>-</td>
<td>77,554</td>
<td>75,595</td>
</tr>
<tr>
<td>Peace and justice</td>
<td>21,494</td>
<td>-</td>
<td>-</td>
<td>21,494</td>
<td>16,410</td>
</tr>
<tr>
<td>Welfare</td>
<td>21,650</td>
<td>-</td>
<td>-</td>
<td>21,650</td>
<td>19,471</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total program services</td>
<td>344,880</td>
<td>-</td>
<td>-</td>
<td>344,880</td>
<td>371,551</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Support services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Management and general</td>
<td>13,807</td>
<td>-</td>
<td>-</td>
<td>13,807</td>
<td>12,846</td>
</tr>
<tr>
<td>Public awareness</td>
<td>5,056</td>
<td>-</td>
<td>-</td>
<td>5,056</td>
<td>5,553</td>
</tr>
<tr>
<td>Fund raising</td>
<td>27,887</td>
<td>-</td>
<td>-</td>
<td>27,887</td>
<td>14,047</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total support services</td>
<td>34,840</td>
<td>-</td>
<td>-</td>
<td>34,840</td>
<td>31,046</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total operating expenses</td>
<td>344,880</td>
<td>-</td>
<td>-</td>
<td>344,880</td>
<td>371,551</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in net assets, from operations</td>
<td>(7,184)</td>
<td>(3,273)</td>
<td>-</td>
<td>(10,457)</td>
<td>1,617</td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
<tr>
<td>Non-Operating Revenues and Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions</td>
<td>4,131</td>
<td>-</td>
<td>-</td>
<td>4,139</td>
<td>6,383</td>
</tr>
<tr>
<td>Net change in annuities and pooled income fund</td>
<td>(3,360)</td>
<td>(39)</td>
<td>-</td>
<td>(3,399)</td>
<td>266</td>
</tr>
<tr>
<td>Unrealized (loss) gain on investments</td>
<td>(14,779)</td>
<td>(285)</td>
<td>-</td>
<td>(15,064)</td>
<td>3,048</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total non-operating revenues and expenses, net</td>
<td>(14,008)</td>
<td>(39)</td>
<td>(277)</td>
<td>(14,324)</td>
<td>9,697</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Changes in net assets</td>
<td>(21,192)</td>
<td>(3,312)</td>
<td>(277)</td>
<td>(24,881)</td>
<td>11,314</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net assets, beginning of year, as reported</td>
<td>108,925</td>
<td>81,884</td>
<td>1,583</td>
<td>192,382</td>
<td>181,078</td>
</tr>
<tr>
<td>Adjustment to beginning of year net assets</td>
<td>4,673</td>
<td></td>
<td></td>
<td>4,673</td>
<td></td>
</tr>
<tr>
<td>Net assets, beginning of year, as restated</td>
<td>113,598</td>
<td>81,884</td>
<td>1,583</td>
<td>197,055</td>
<td>181,078</td>
</tr>
<tr>
<td>Net assets, end of year</td>
<td>92,406</td>
<td>78,572</td>
<td>1,306</td>
<td>172,284</td>
<td>192,392</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

---

CRS is working in Angola to care for children who have never known a country at peace.
## Statements of Cash Flows

For the years ended September 30, 2001 and 2000

### Operating activities:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in net assets</td>
<td>$ (24,781)</td>
<td>11,314</td>
</tr>
<tr>
<td>Adjustments to reconcile changes in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>4,882</td>
<td>4,466</td>
</tr>
<tr>
<td>Loss (gain) on disposal of land, building and equipment</td>
<td>28</td>
<td>(183)</td>
</tr>
<tr>
<td>Realized gains on sales of investments</td>
<td>(1,281)</td>
<td>(3,516)</td>
</tr>
<tr>
<td>Unrealized loss (gain) on investments</td>
<td>17,387</td>
<td>(3,048)</td>
</tr>
<tr>
<td>Permanently restricted contributions</td>
<td>(3)</td>
<td>(11)</td>
</tr>
</tbody>
</table>

| Effect of change on operating accounts: |            |            |
| Increase in accounts receivable and other assets | (5,432)    | (1,387)   |
| Decrease (increase) in line item receivable | 171        | (522)     |
| Increase in charitable trust receivables | (1,348)    | (1,268)   |
| Decrease in undistributed contributions | 9,484      | —         |
| (Decrease) increase in accounts payable and accrued expenses | (1,873)    | 861       |
| Increase (decrease) in advances received for programs | 10,710     | (9,544)   |
| (Decrease) increase in deferred revenue | (9,368)    | 142       |
| Increase (decrease) in other liabilities | 920        | (22,840)  |

| Net cash used in operating activities | (509)      | (25,516)  |

### Investing activities:

| Proceeds from sale of land, building and equipment | 43         | 183       |
| Purchase of land, building and equipment | (7,209)    | (4,306)   |
| Proceeds from sales and maturities of investments | 223,590    | 108,924   |
| Purchase of investments | (248,257)  | (147,189) |

| Net cash used in investing activities | (31,833)   | (42,388)  |

### Financing activities:

| Loan proceeds | 46         | —         |
| Principal payments on long-term debt | (156)      | (148)     |
| Permanently restricted contributions | 8          | 11        |

| Increase in accounts payable, net | 5,320      | 2,387     |

| Net cash provided by financing activities | 5,218      | 2,250     |
| Net decrease in cash and cash equivalents | (27,124)   | (65,764)  |

| Cash and cash equivalents, beginning of year | 62,297     | 127,971   |
| Cash and cash equivalents, end of year | $ 35,173   | 62,297    |

| Supplemental cash flow disclosures: |            |            |
| Cash paid for interest | $ 48       | $ 59      |

See accompanying notes to financial statements.
Catholic Relief Services – United States Catholic Conference, Incorporated

Schedule of Functional Expenses

Year ended September 30, 2000
(in thousands)

**Program Services**

<table>
<thead>
<tr>
<th>Description</th>
<th>Agriculture</th>
<th>Education</th>
<th>Emergency</th>
<th>Small enterprise</th>
<th>Health</th>
<th>Peace and justice</th>
<th>Welfare</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and related benefits</td>
<td>$6,363</td>
<td>2,577</td>
<td>18,943</td>
<td>7,042</td>
<td>3,772</td>
<td>4,413</td>
<td>5,461</td>
</tr>
<tr>
<td>Professional fees</td>
<td>510</td>
<td>523</td>
<td>1,504</td>
<td>1,146</td>
<td>681</td>
<td>601</td>
<td>441</td>
</tr>
<tr>
<td>Communication</td>
<td>320</td>
<td>184</td>
<td>1,204</td>
<td>351</td>
<td>225</td>
<td>208</td>
<td>245</td>
</tr>
<tr>
<td>Supplies, office expenses and other</td>
<td>1,698</td>
<td>647</td>
<td>2,216</td>
<td>1,700</td>
<td>777</td>
<td>1,175</td>
<td>1,160</td>
</tr>
<tr>
<td>Occupancy</td>
<td>422</td>
<td>796</td>
<td>2,117</td>
<td>610</td>
<td>312</td>
<td>306</td>
<td>201</td>
</tr>
<tr>
<td>Equipment</td>
<td>1,491</td>
<td>1,230</td>
<td>6,396</td>
<td>1,159</td>
<td>1,185</td>
<td>834</td>
<td>790</td>
</tr>
<tr>
<td>Travel</td>
<td>865</td>
<td>902</td>
<td>3,054</td>
<td>1,472</td>
<td>811</td>
<td>1,107</td>
<td>1,106</td>
</tr>
<tr>
<td>Freight</td>
<td>14,314</td>
<td>470</td>
<td>54,716</td>
<td>61</td>
<td>1,389</td>
<td>2,032</td>
<td>210</td>
</tr>
<tr>
<td>Publicity</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances to implementing partners</td>
<td>14,075</td>
<td>5,628</td>
<td>39,488</td>
<td>5,713</td>
<td>7,528</td>
<td>4,134</td>
<td>7,676</td>
</tr>
<tr>
<td>Food, other commodities and in-kind contributions</td>
<td>2,712</td>
<td>19</td>
<td>22,557</td>
<td>36,722</td>
<td>2</td>
<td>1,391</td>
<td>95,403</td>
</tr>
<tr>
<td>Depreciation</td>
<td>258</td>
<td>576</td>
<td>1</td>
<td>865</td>
<td>513</td>
<td>1,588</td>
<td>420</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$43,134</td>
<td>13,532</td>
<td>151,994</td>
<td>20,069</td>
<td>75,895</td>
<td>14,400</td>
<td>19,471</td>
</tr>
</tbody>
</table>

**Support Services**

<table>
<thead>
<tr>
<th>Description</th>
<th>Management and general</th>
<th>Public awareness</th>
<th>Fundraising</th>
<th>Total support services</th>
<th>Total operating expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries and related benefits</td>
<td>$5,224</td>
<td>914</td>
<td>3,167</td>
<td>9,305</td>
<td>57,546</td>
</tr>
<tr>
<td>Professional fees</td>
<td>3,760</td>
<td>89</td>
<td>3,599</td>
<td>7,448</td>
<td>12,844</td>
</tr>
<tr>
<td>Communication</td>
<td>158</td>
<td>23</td>
<td>2,786</td>
<td>2,989</td>
<td>5,375</td>
</tr>
<tr>
<td>Supplies, office expenses and other</td>
<td>1,070</td>
<td>101</td>
<td>4,431</td>
<td>5,602</td>
<td>15,325</td>
</tr>
<tr>
<td>Occupancy</td>
<td>465</td>
<td>2</td>
<td>2</td>
<td>469</td>
<td>5,233</td>
</tr>
<tr>
<td>Equipment</td>
<td>196</td>
<td>36</td>
<td>57</td>
<td>289</td>
<td>13,354</td>
</tr>
<tr>
<td>Travel</td>
<td>1,710</td>
<td>198</td>
<td>433</td>
<td>2,341</td>
<td>11,588</td>
</tr>
<tr>
<td>Freight</td>
<td>3</td>
<td>60</td>
<td>63</td>
<td>83</td>
<td>73,455</td>
</tr>
<tr>
<td>Publicity</td>
<td>7</td>
<td>1,944</td>
<td>55</td>
<td>2,006</td>
<td>2,002</td>
</tr>
<tr>
<td>Advances to implementing partners</td>
<td>38</td>
<td>11</td>
<td>45</td>
<td>94</td>
<td>84,396</td>
</tr>
<tr>
<td>Food, other commodities and in-kind contributions</td>
<td>—</td>
<td>227</td>
<td>227</td>
<td>85,630</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>215</td>
<td>6</td>
<td>12</td>
<td>233</td>
<td>4,466</td>
</tr>
<tr>
<td>Total expenses</td>
<td>$12,046</td>
<td>3,513</td>
<td>14,647</td>
<td>31,046</td>
<td>371,551</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.

Notes to Financial Statements

September 30, 2001 and 2000

(1) Organization

Catholic Relief Services — United States Catholic Conference, Incorporated (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 elected from the USCCB and is staffed by men and women committed to the Catholic Church’s apostolate of helping those in need. Headquartered in Baltimore, Maryland, CRS provides its services in approximately 80 countries through approximately 50 offices around the world.

CRS is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is an organization listed in the 2001 edition of the Official Catholic Directory.

(2) Summary of Significant Accounting Policies

(a) Presentation

The financial statements include the results of CRS’ worldwide operations. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities reported 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.

Revenues and expenses related to unrestricted bequests, annuities and other planned giving contributions, changes in unrealized gains and losses on investments and permanently restricted contributions are considered non-operating activities.

The financial statements include certain prior-year summarized comparative totals for the year ended September 30, 2000. 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 period ended September 30, 2000 from which the summarized information was derived.

(b) 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, numeracy 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.
Notes to Financial Statements
September 30, 2001 and 2000

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.

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, acting as a "bridge" until the local institutions can provide appropriate support structures for self-sufficiency.

(c) 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 historical dollar amounts of gifts which are required by donors to be permanently retained.

(d) Cash and Cash Equivalents

Cash includes demand and time deposits. Cash equivalents include highly liquid investments purchased with a maturity of three months or less at date of purchase.

(e) 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 at times exceed FDIC insurance limits. Deposits held at institutions outside of the United States are not subject to insur- ance. At September 30, 2001 and 2000, $19,990,000 and $19,823,000, respectively, of deposits were in excess of FDIC insurance including $18,023,000 and $14,864,000, respectively, of deposits were in excess of FDIC insurance limits. Deposits held at institutions outside of the United States at times exceed FDIC insurance. At September 30, 2001 and 2000, $19,823,000 and $19,590,000, respectively, were also held in numerous financial institutions outside of the United States. Short-term operating investments of $11,980,000 and $13,851,000, respectively, were also held in numerous financial institutions outside of the United States at September 30, 2001 and 2000.

(f) 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.

(g) 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 and equipment.

Prior to October 1, 2000, CRS expensed all fixed assets purchased with Federal and restricted donor funds in the year of acquisition. Effective October 1, 2000, CRS changed its accounting policy to capitalize all assets purchased with Federal and restricted donor funds, and to depreciate these assets over their useful lives. CRS has restated its net asset balance by $4,673,000 as of October 1, 2000, for the cumulative effect of this change in accounting policy.

(h) Annuity Contracts

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 was calculated using the Annual 2000 Mortality table with no adjustments, assuming a 6 percent interest rate, compounded annually, and no provision for a surplus or contingency reserve. Annuities payable are estimates, and actual results could differ from those estimates.

(i) Donated Agricultural Commodities and Supplies

CRS receives agricultural and other commodities at no cost from the United States Agency for International Development (USAID) and the United States Department of Agriculture (USDA) for distribution under contracts related to specific relief programs. Prior to October 1, 2000, these contributions were recorded as program support and program expense when shipped to overseas destinations. Effective October 1, 2000, CRS changed its accounting policy to include these contributions as program support and program expense when distributed to partners or beneficiaries. Commodity balances that have not been distributed at September 30, 2001 are carried as undistributed commodity contributions and deferred revenue. CRS did not adjust its assets and liabilities for the cumulative effect of this change in accounting policy.

(j) Other Government Funding and Exchange Transactions

Revenue related to these 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 funds forwarded to CRS can be required to be refunded under certain circumstances. Accordingly, amounts received, but not recognized as revenue, are classified in the statement of financial position as advances received for programs.

In Cambodia, with help from CRS, microcredit programs like Sieng Rachana are able to improve their small businesses.
Notes to Financial Statements
September 30, 2001 and 2000

(k) Functional Allocation of Expenses

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

(l) Reclassifications

Certain reclassifications have been made to the 2000 amounts to conform to the 2001 presentation.

(3) Accounts Receivable and Other Assets

Accounts receivable include loans made by CRS for microfinance programming, which provides credit to the working poor and encompasses both loans direct to the final borrower as well as loans to local partners who operate these programs. At September 30, 2001 and 2000, microfinance loans receivable totaled $10,709,000 and $7,811,000. As of September 30, 2001 and 2000, the allowance for doubtful accounts on accounts receivable and microfinance loans was $2,766,000 and $972,000, respectively.

(4) Segregated Investments

CRS is required under various statutory regulations to segregate a certain level of acceptable 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, 2001 and 2000 consist of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gift annuities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pooled income</td>
<td>$1,776</td>
<td>$1,867</td>
</tr>
<tr>
<td>Total</td>
<td>$1,853</td>
<td>$1,924</td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td>$28,502</td>
<td>$30,261</td>
</tr>
<tr>
<td>Equity securities</td>
<td>$2,046</td>
<td>$2,149</td>
</tr>
<tr>
<td>Total</td>
<td>$32,324</td>
<td>$34,277</td>
</tr>
<tr>
<td>Dividends and interest</td>
<td>$10,286</td>
<td>$9,513</td>
</tr>
<tr>
<td>Realized gains on investments</td>
<td>$1,281</td>
<td>$3,516</td>
</tr>
<tr>
<td>Unrealized gain (loss) on investments</td>
<td>$(17,387)</td>
<td>$4,579</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>$(522)</td>
<td>$(282)</td>
</tr>
<tr>
<td>Total</td>
<td>$9,042</td>
<td>$6,632</td>
</tr>
</tbody>
</table>

During the years ended September 30, 2001 and 2000, CRS received $4,300,000 and $4,500,000, respectively, of new charitable gift annuities net of contributions, earned net investment income of $1,800,000 and $1,600,000, respectively, on the segregated investments and made contractual annuity payments of $2,200,000 and $2,500,000, respectively.

During the years ended September 30, 2001 and 2000, the pooled income fund made earnings distributions of $125,000 and $134,000, respectively, to participants.

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

(5) Charitable Trust Receivable

Charitable trust receivables represent the present value of CRS’ interest in the donor’s trust, as well as the cash surrender value of the life insurance policies.

(6) Investments

The approximate fair value by type of investment at September 30, 2001 and 2000 is as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificates of deposit</td>
<td>$12,257</td>
<td>$14,123</td>
</tr>
<tr>
<td>U.S. treasury securities</td>
<td>$14,268</td>
<td>$11,303</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>$33,917</td>
<td>$15,733</td>
</tr>
<tr>
<td>Equity securities</td>
<td>$52,867</td>
<td>$68,405</td>
</tr>
<tr>
<td>Total</td>
<td>$113,309</td>
<td>$109,564</td>
</tr>
</tbody>
</table>

Equity securities at September 30, 2001 and 2000 include $7,272,000 and $9,999,000, respectively, invested in DEVCAP Shared Return Fund, a socially responsible mutual fund which is affiliated with CRS.

The components of investment return on the investments described above and segregated investments for the years ended September 30, 2001 and 2000 are as follows (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends and interest</td>
<td>$10,286</td>
<td>$9,513</td>
</tr>
<tr>
<td>Realized gains on investments</td>
<td>$1,281</td>
<td>$3,516</td>
</tr>
<tr>
<td>Unrealized gain (loss) on investments</td>
<td>$(17,387)</td>
<td>$4,579</td>
</tr>
<tr>
<td>Investment management fees</td>
<td>$(522)</td>
<td>$(282)</td>
</tr>
<tr>
<td>Total</td>
<td>$6,342</td>
<td>$17,326</td>
</tr>
</tbody>
</table>

Realized gains represent the difference between the historical cost of investments when purchased and their proceeds upon sale or maturity.

(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 which approximate those in effect on transaction dates. Transaction and translation gains and losses are included in current results. The resulting losses on foreign currency transactions were $1,068,000 and $3,759,000 for the years ended September 30, 2001 and 2000, respectively, and are included in Supplies, office expenses and other on the Schedule of Functional Expenses.
Additionally, CRS maintains a 15-year mortgage, secured by a building, with a face value of $500,000. Interest is calculated based on an effective rate of 2 percent per annum, payable monthly.

Future annual maturities on notes payable are as follows for the fiscal years ended September 30:

<table>
<thead>
<tr>
<th>Year</th>
<th>Notes Payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>$ 42,000</td>
</tr>
<tr>
<td>2003</td>
<td>542,000</td>
</tr>
<tr>
<td>2004</td>
<td>$ 43,000</td>
</tr>
<tr>
<td></td>
<td>$ 627,000</td>
</tr>
</tbody>
</table>

For the fiscal year ended September 30, 2001, interest paid related to the loans payable was $48,000.

(10) Commodities Received and Other In-Kind Contributions

Commodities received and other in-kind contributions for the years ended September 30, 2001 and 2000 consist of the following (in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Commodities received from USAID and USDA, excluding ocean freight</th>
<th>Commodities donated by European Union</th>
<th>Other, principally medical supplies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>$ 61,510</td>
<td>$ 990</td>
<td>$ 6,664</td>
</tr>
<tr>
<td>2000</td>
<td>67,350</td>
<td>197</td>
<td>14,615</td>
</tr>
<tr>
<td></td>
<td>62,500</td>
<td>67,547</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 69,164</td>
<td>$ 82,162</td>
<td></td>
</tr>
</tbody>
</table>

CRS has responded to the needs of the poor in Burundi since 1963.
### Pension Benefits

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
<th>Post-retirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation at beginning of period</td>
<td>12,586</td>
<td>11,676</td>
<td>2,236</td>
</tr>
<tr>
<td>Service cost</td>
<td>1,245</td>
<td>1,059</td>
<td>118</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1,014</td>
<td>880</td>
<td>144</td>
</tr>
<tr>
<td>Actuarial (gain) loss</td>
<td>599</td>
<td>281</td>
<td>(230)</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(874)</td>
<td>(1,510)</td>
<td>(41)</td>
</tr>
<tr>
<td>Benefit obligation at end of period</td>
<td>14,530</td>
<td>12,586</td>
<td>2,218</td>
</tr>
</tbody>
</table>

### Plan assets:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of period</td>
<td>8,811</td>
<td>7,170</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(1,847)</td>
<td>1,927</td>
</tr>
<tr>
<td>Employee contributions</td>
<td>1,234</td>
<td>1,024</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(873)</td>
<td>(1,510)</td>
</tr>
<tr>
<td>Fair value of plan assets at end of period</td>
<td>7,325</td>
<td>8,811</td>
</tr>
</tbody>
</table>

### Funded status:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>(7,204)</td>
<td>(3,774)</td>
<td>(2,218)</td>
</tr>
<tr>
<td>Unrecognized net (gain) loss</td>
<td>237</td>
<td>310</td>
</tr>
<tr>
<td>Unrecognized prior service cost</td>
<td>(9)</td>
<td>(59)</td>
</tr>
<tr>
<td>Unrecognized net actuarial loss</td>
<td>3,462</td>
<td>256</td>
</tr>
</tbody>
</table>

### Accrued benefit cost:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>$(2,514)</td>
<td>$(2,514)</td>
<td>$(1,930)</td>
</tr>
</tbody>
</table>

### Components of net periodic benefit cost:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service cost</td>
<td>1,245</td>
<td>1,059</td>
</tr>
<tr>
<td>Interest cost</td>
<td>1,014</td>
<td>880</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(800)</td>
<td>(648)</td>
</tr>
<tr>
<td>Net amortization and deferral</td>
<td>23</td>
<td>77</td>
</tr>
<tr>
<td>Total net periodic benefit cost</td>
<td>1,482</td>
<td>1,368</td>
</tr>
</tbody>
</table>

### Weighted-average assumptions:

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>7.75%</td>
<td>7.75%</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>8.50%</td>
<td>8.50%</td>
</tr>
<tr>
<td>Rate of compensation increase</td>
<td>5.50%</td>
<td>5.50%</td>
</tr>
</tbody>
</table>

The healthcare inflation rates for 2001 and 2000 are assumed to be 10% and 11%, respectively. This rate is projected to gradually decrease to an ultimate rate of 5.5% by the year 2006. A one-percentage point increase in the healthcare inflation rate from the assumed rate could increase the accumulated post-retirement benefit obligation by approximately $446,000 as of September 30, 2001 and would have increased the aggregate of the service cost and interest cost components of net periodic post-retirement benefit cost for 2001 by approximately $63,000. A one-percentage point decrease in the healthcare inflation rate from the assumed rate could decrease the accumulated post-retirement benefit obligation by approximately $350,000 as of September 30, 2001 and would have decreased the aggregate of the service cost and interest components of net periodic post-retirement benefit cost for 2001 by approximately $48,000.

Catholic Relief Services also provides eligible employees a defined contribution plan, which qualifies under Section 403(b) of the Internal Revenue Code. 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 $451,000 and $398,000, respectively, for the years ended September 30, 2001 and 2000.

Accrued benefit cost for pension benefits and post-retirement benefits are included in other liabilities and accounts payable and accrued expenses, respectively, in the accompanying financial statements.

### (12) Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30, 2001 and 2000 are comprised of the following (in thousands):

<table>
<thead>
<tr>
<th></th>
<th>2001</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable trusts</td>
<td>10,553</td>
<td>9,170</td>
</tr>
<tr>
<td>Pooled income fund</td>
<td>658</td>
<td>697</td>
</tr>
<tr>
<td>Total time restricted</td>
<td>11,211</td>
<td>9,867</td>
</tr>
<tr>
<td>Development projects</td>
<td>718</td>
<td>781</td>
</tr>
<tr>
<td>Emergency relief efforts</td>
<td>52,617</td>
<td>53,860</td>
</tr>
<tr>
<td>Specific donor restricted projects</td>
<td>14,026</td>
<td>17,376</td>
</tr>
<tr>
<td>Total program restricted</td>
<td>67,361</td>
<td>72,017</td>
</tr>
<tr>
<td>Total temporarily restricted net assets</td>
<td>78,572</td>
<td>81,884</td>
</tr>
</tbody>
</table>

The Mashrou Microfinance Project, established by CRS in 1985, now boasts 603 clients – all of them women.
(13) 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, 2001 and 2000, CRS has recorded a liability for its estimate of questionable 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 the organization’s financial position, change in net assets or cash flow.

DEVCAP

The Development capital (DEVCAP) fund provides people in the United States with an opportunity to invest in a socially responsible way while helping empower the poor overseas. DEVCAP is a socially screened mutual fund that reflects the core values and goals of investors. Built on the tenets of the Catholic Church and its guidelines on investing, DEVCAP allows investors to share a portion of their total returns in support of CRS’ microfinance programs around the world.

The fund, managed by Christian Brother Investments Services, Inc. (CBIS), is run with the objective of matching the total returns of the Standard & Poor’s (S&P) 500® Index. DEVCAP’s portfolio comprises a diversified mix of companies listed on the S&P 500, and CBIS provides an “Active Ownership” strategy—which works to enhance corporate ethics in the marketplace.

Over the past five years, DEVCAP investors have contributed $960,000 to CRS’ microfinance programs, which serve more than 307,000 clients in 33 countries.

Disasters, whether natural, like earthquakes, or man-made, like war, disproportionately affect women and children. CRS is committed to caring for those most vulnerable members of our human family.

In Haiti, CRS helped Tamara’s family to build a clean water catchment system.

Alternative Gifts International

Catalog shopping and helping the poor are not usually concepts that go together. With help from CRS donor Alternative Gifts International (AGI), however, people looking for presents can put their power as consumers to use helping those in need around the world. The idea is simple. AGI publishes a yearly catalog of humanitarian projects in which people can purchase “shares” to give as gifts.

Since its beginnings in California, AGI has grown to include nonprofit markets in schools, community organizations and churches of all faiths across the United States and in several countries overseas.

Today, through both the catalog and Alternative Gift Markets, AGI gives shoppers a chance to make a difference in the lives of the poor worldwide, and to help restore and renew the planet’s threatened environment.

CRS has been proud to be listed since 1996 in AGI’s catalog and has received tens of thousands of dollars for both relief and development projects. This past year, CRS received generous donations to help with school reconstruction in Kosovo and a clean water project in Burundi.