



Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

**Consolidated Financial Statements
Years Ended September 30, 2022 and 2021**

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States Conference of Catholic
Bishops and Affiliates**

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Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

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Independent Auditor's Report

Board of Directors
**Catholic Relief Services - United States Conference
of Catholic Bishops and Affiliates**
Baltimore, Maryland

Opinion

We have audited the consolidated financial statements of **Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates (CRS)**, which comprise the consolidated statement of financial position as of September 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of CRS as of September 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of CRS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The 2021 consolidated financial statements of CRS were audited by other auditors, whose report dated March 16, 2022 expressed an unmodified opinion on those statements.



Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CRS's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CRS's ability to continue as a going concern for a reasonable period of time.



We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

BDO USA, LLP

McLean, Virginia
April 17, 2023

Consolidated Financial Statements

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Consolidated Statements of Financial Position

(In Thousands)

September 30,	2022	2021
Assets		
Cash and cash equivalents	\$ 120,542	\$ 113,101
Accounts receivable and other assets	267,829	256,816
Investments	186,605	188,460
Segregated investments	40,928	48,439
Undistributed commodities and program materials	150,070	135,820
Operating lease right-of-use assets	23,732	25,956
Land, building and equipment, net	40,836	40,199
Total assets	\$ 830,542	\$ 808,791
Liabilities and Net Assets		
Liabilities		
Accounts payable, accrued expenses and other liabilities	\$ 116,362	\$ 124,641
Line of credit	5,000	8,000
Advances received for programs	172,559	151,008
Deferred revenue - commodities	146,140	131,628
Operating lease liabilities	23,600	23,989
Annuities payable	34,411	41,825
Retirement plan liabilities	18,412	36,142
Long-term debt, net of unamortized debt issuance costs	21,371	21,425
Total liabilities	537,855	538,658
Net assets		
Without donor restrictions	118,742	148,982
With donor restrictions	173,945	121,151
Total net assets	292,687	270,133
Total liabilities and net assets	\$ 830,542	\$ 808,791

See accompanying notes to the consolidated financial statements.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Consolidated Statement of Activities (In Thousands)

Year ended September 30, 2022 (with comparative totals for 2021)	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue				
Private support and revenue				
Private contributions	\$ 113,955	\$ 126,170	\$ 240,125	\$ 158,067
Foundation and other private revenue	57,357	-	57,357	48,901
Bequests	21,211	4	21,215	36,083
Catholic Relief Services Rice Bowl	-	7,207	7,207	6,462
Catholic Relief Services Collection	-	-	-	4,719
Total private support and revenue	192,523	133,381	325,904	254,232
Public support and revenue				
Donated non-financial assets	452,553	-	452,553	336,527
United States government grants and agreements	460,181	-	460,181	438,255
Other public grants and contributions	218,964	-	218,964	163,789
Total public support and revenue	1,131,698	-	1,131,698	938,571
Miscellaneous (loss) income	(487)	672	185	(875)
Net assets released from restrictions	70,700	(70,700)	-	-
Total support and revenue	1,394,434	63,353	1,457,787	1,191,928
Expenses				
Program services	1,331,573	-	1,331,573	1,073,106
Supporting services				
Management and general	49,778	-	49,778	42,750
Public awareness	8,392	-	8,392	7,607
Fundraising	33,180	-	33,180	24,286
Total supporting services	91,350	-	91,350	74,643
Total expenses	1,422,923	-	1,422,923	1,147,749
Change in net assets before investments and other (losses) gains	(28,489)	63,353	34,864	44,179
Investment and other gains (losses)				
Net change in annuities, trusts and pooled income fund	7,541	(2,058)	5,483	5,775
Realized and unrealized (loss) gain on investments and financial instruments	(24,472)	(8,501)	(32,973)	23,705
Defined benefit plan adjustments	15,180	-	15,180	12,625
Total investment and other (losses) gains	(1,751)	(10,559)	(12,310)	42,105
Change in net assets	(30,240)	52,794	22,554	86,284
Net assets				
Beginning of year	148,982	121,151	270,133	183,849
End of year	\$ 118,742	\$ 173,945	\$ 292,687	\$ 270,133

See accompanying notes to the consolidated financial statements.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Consolidated Statement of Activities

(In Thousands)

<i>Year ended September 30, 2021</i>	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Private support and revenue			
Private contributions	\$ 108,039	\$ 50,028	\$ 158,067
Foundation and other private revenue	48,901	-	48,901
Bequests	22,820	13,263	36,083
Catholic Relief Services Rice Bowl	-	6,462	6,462
Catholic Relief Services Collection	4,719	-	4,719
Total private support and revenue	184,479	69,753	254,232
Public support and revenue			
Donated non-financial assets	336,527	-	336,527
United States government grants and agreements	438,255	-	438,255
Other public grants and contributions	163,789	-	163,789
Total public support and revenue	938,571	-	938,571
Miscellaneous (loss) income	(1,212)	337	(875)
Net assets released from restrictions	41,067	(41,067)	-
Total support and revenue	1,162,905	29,023	1,191,928
Expenses			
Program services	1,073,106	-	1,073,106
Supporting services			
Management and general	42,750	-	42,750
Public awareness	7,607	-	7,607
Fundraising	24,286	-	24,286
Total supporting services	74,643	-	74,643
Total expenses	1,147,749	-	1,147,749
Change in net assets before investments and other gains	15,156	29,023	44,179
Investment and other gains			
Net change in annuities, trusts and pooled income fund	2,787	2,988	5,775
Realized and unrealized gain on investments and financial instruments	19,887	3,818	23,705
Defined benefit plan adjustments	12,625	-	12,625
Total investment and other gains	35,299	6,806	42,105
Change in net assets	50,455	35,829	86,284
Net assets			
Beginning of year	98,527	85,322	183,849
End of year	\$ 148,982	\$ 121,151	\$ 270,133

See accompanying notes to the consolidated financial statements.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Consolidated Statements of Cash Flows (In thousands)

Years Ended September 30,	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 22,554	\$ 86,284
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	5,086	5,733
Amortization of operating lease right-of-use assets	15,663	11,001
Loss (gain) on disposal of building and equipment	70	(2)
Realized and unrealized loss (gain) on sales of investments and financial instruments	32,973	(23,705)
Contributions restricted for permanent investment	(2,004)	(13,044)
Changes in assets and liabilities		
Increase in assets		
Accounts receivable and other assets	(11,013)	(78,118)
Undistributed commodities and program materials	(14,250)	(57,870)
Increase (decrease) in liabilities		
Accounts payable, accrued expenses and other liabilities	(5,327)	17,799
Advances received for programs	21,551	98,052
Deferred revenue - commodities	14,512	57,047
Operating lease liabilities	(13,828)	(12,967)
Annuities payable	(7,414)	(1,763)
Retirement plan liabilities	(17,730)	(13,275)
Net cash provided by operating activities	40,843	75,172
Cash flows from investing activities:		
Proceeds from sale of land, building and equipment	103	312
Purchase of land, building and equipment	(5,896)	(5,817)
Proceeds from sales and maturities of investments	664,203	450,646
Purchase of investments	(690,762)	(481,477)
Net cash used in investing activities	(32,352)	(36,336)
Cash flows from financing activities:		
Principal payments and liquidations of long term debt	(54)	(2,824)
Proceeds from note payable	-	2,000
Contributions restricted for permanent investment	2,004	13,044
Payments of line of credit	(3,000)	(12,000)
Net cash (used in) provided by financing activities	(1,050)	220
Net increase in cash and cash equivalents	7,441	39,056
Cash and cash equivalents		
Beginning	113,101	74,045
Ending	\$ 120,542	\$ 113,101
Supplemental disclosure of cash flow information		
Cash payments for interest	\$ 749	\$ 789

See accompanying notes to the consolidated financial statements.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Consolidated Statement of Functional Expenses Year Ended September 30, 2022 (in Thousands)

<i>Description</i>	2022 Program Services								Total
	Agriculture	Water and Environment	Education	Emergency	Small Enterprise	Health and Social Services	Justice and Peacebuilding	Partner Capacity Strengthening	
Food, other commodities and in-kind contributions	\$ 127	\$ -	\$ 14,765	\$ 201,427	\$ -	\$ 138,875	\$ 1	\$ -	\$ 355,195
Salaries and related benefits	38,192	5,017	29,848	100,639	978	59,639	15,348	13,837	263,498
Subgrants to implementing partners	24,114	2,888	17,731	96,781	860	78,054	9,483	13,013	242,924
Project labor and materials	17,110	2,768	11,343	112,676	127	10,806	2,856	1,736	159,422
Warehousing and freight	23	3	8,582	139,244	-	2,407	9	7	150,275
Contracting and professional fees	7,432	2,000	3,657	9,135	209	7,828	4,491	2,060	36,812
Travel, training and representation	7,432	1,684	6,934	13,502	257	21,039	2,107	4,461	57,416
Vehicle and equipment	3,066	435	1,797	7,928	66	7,773	847	1,601	23,513
Printing, supplies, office and miscellaneous expenses	(1,577)	723	1,081	8,502	19	5,179	709	953	15,589
Occupancy	1,772	291	2,061	5,201	90	3,603	859	649	14,526
Telecommunications and postage	1,315	110	901	2,083	19	2,857	217	155	7,657
Publicity	21	2	21	23	-	98	13	44	222
Depreciation	901	4	1,331	991	2	1,234	12	49	4,524
Total functional expenses	\$ 99,928	\$ 15,925	\$ 100,052	\$ 698,132	\$ 2,627	\$ 339,392	\$ 36,952	\$ 38,565	\$ 1,331,573

See accompanying notes to the consolidated financial statements.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Consolidated Statement of Functional Expenses Year Ended September 30, 2022 (Continued) (in Thousands)

<i>Description</i>	2022 Supporting Services				Total Expenses
	Management and General	Public Awareness	Fundraising	Total	2022
Food, other commodities and in-kind contributions	\$ -	\$ 470	\$ -	\$ 470	\$ 355,665
Salaries and related benefits	26,098	5,712	12,157	43,967	307,465
Subgrants to implementing partners	-	9	-	9	242,933
Project labor and materials	-	38	-	38	159,460
Warehousing and freight	41	-	14	55	150,330
Contracting and professional fees	17,506	778	4,420	22,704	59,516
Travel, training and representation	400	149	227	776	58,192
Vehicle and equipment	164	169	65	398	23,911
Printing, supplies, office and miscellaneous expenses	3,121	544	4,534	8,199	23,788
Occupancy	645	215	246	1,106	15,632
Telecommunications and postage	1,595	12	6,242	7,849	15,506
Publicity	1	176	5,040	5,217	5,439
Depreciation	207	120	235	562	5,086
Total functional expenses	\$ 49,778	\$ 8,392	\$ 33,180	\$ 91,350	\$ 1,422,923

See accompanying notes to the consolidated financial statements.

**Catholic Relief Services - United States Conference of Catholic Bishops
and Affiliates**

**Consolidated Statement of Functional Expenses
Year Ended September 30, 2021
(in Thousands)**

<i>Description</i>	2021 Program Services								Total
	Agriculture	Water and Environment	Education	Emergency	Small Enterprise	Health and Social Services	Justice and Peacebuilding	Partner Capacity Strengthening	
Food, other commodities and in-kind contributions	\$ 5,331	\$ -	\$ 9,137	\$ 161,046	\$ -	\$ 98,430	\$ -	\$ -	\$ 273,944
Salaries and related benefits	34,205	5,648	28,963	94,615	1,492	61,921	13,189	6,546	246,579
Subgrants to implementing partners	15,772	2,115	12,809	74,358	838	87,654	12,881	5,604	212,031
Project labor and materials	8,335	3,279	11,318	83,393	594	10,886	2,205	605	120,615
Warehousing and freight	3,395	5	9,310	73,665	-	1,768	6	6	88,155
Contracting and professional fees	7,497	1,416	3,772	10,329	269	10,003	1,721	913	35,920
Travel, training and representation	5,158	1,356	4,651	7,471	285	20,027	1,377	1,688	42,013
Vehicle and equipment	2,542	400	1,734	5,366	107	5,799	677	588	17,213
Printing, supplies, office and miscellaneous expenses	2,672	213	291	2,085	266	4,737	321	330	10,915
Occupancy	1,484	490	1,908	4,764	130	3,421	948	299	13,444
Telecommunications and postage	1,349	120	997	2,184	51	2,425	239	97	7,462
Publicity	39	2	1	23	-	90	18	8	181
Depreciation	1,620	3	1,299	381	2	1,314	9	6	4,634
Total functional expenses	\$ 89,399	\$ 15,047	\$ 86,190	\$ 519,680	\$ 4,034	\$ 308,475	\$ 33,591	\$ 16,690	\$1,073,106

See accompanying notes to the consolidated financial statements.

**Catholic Relief Services - United States Conference of Catholic Bishops
and Affiliates**

**Consolidated Statement of Functional Expenses
Year Ended September 30, 2021
(Continued)
(in Thousands)**

<i>Description</i>	2021 Supporting Services			Total Expenses	
	Management and General	Public Awareness	Fundraising	Total Supporting Services	Total Expenses
Food, other commodities and in-kind contributions	\$ -	\$ 846	\$ -	\$ 846	\$ 274,790
Salaries and related benefits	24,347	5,613	10,990	40,950	287,529
Subgrants to implementing partners	13	-	-	13	212,044
Project labor and materials	-	25	-	25	120,640
Warehousing and freight	14	-	11	25	88,180
Contracting and professional fees	14,303	337	3,175	17,815	53,735
Travel, training and representation	109	64	29	202	42,215
Vehicle and equipment	138	33	48	219	17,432
Printing, supplies, office and miscellaneous expenses	1,743	253	5,153	7,149	18,064
Occupancy	206	263	386	855	14,299
Telecommunications and postage	973	8	2,458	3,439	10,901
Publicity	-	96	1,910	2,006	2,187
Depreciation	904	69	126	1,099	5,733
Total functional expenses	\$ 42,750	\$ 7,607	\$ 24,286	\$ 74,643	\$ 1,147,749

See accompanying notes to the consolidated financial statements.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

1. Nature of Activities

Catholic Relief Services - United States Conference of Catholic Bishops (Catholic Relief Services) was founded in 1943 and is the international humanitarian aid and development agency of the United States Conference of Catholic Bishops (USCCB). Catholic Relief Services is governed by a board composed of 13 Episcopal Directors and 12 Non-episcopal Directors. Catholic Relief Services provides services in 122 countries through 65 offices around the world, including its headquarters in Baltimore, Maryland.

Catholic Relief Services is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is an organization listed in the 2022 edition of the Official Catholic Directory.

The consolidated financial statements include CRS Global Services Private Limited, a wholly owned affiliate in Lucknow, India, which provides technology support services for the agency and Isidro Investments, LLC (Limited Liability Company), a wholly owned affiliate, as a special investment vehicle to provide loans and loan guarantees to small to medium enterprises and farm cooperatives in Latin America. The consolidated financial statements also include 228 West Lexington Street LLC, a wholly owned affiliate that owns the Catholic Relief Services headquarters building in Baltimore, Maryland.

The consolidated financial statements also include Catholic Relief Services Foundation, Inc. (the Foundation) which is a controlled affiliate which conducts certain fundraising activities on behalf of Catholic Relief Services. The Chairman and President of Catholic Relief Services serve, along with other elected individuals, as members of the board of the Foundation. There was no financial activity within the Foundation for the years ended September 30, 2022 and 2021.

Catholic Relief Services and affiliates, are collectively referred to as, CRS, in these consolidated financial statements.

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 (U.S.) 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.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

1. Nature of Activities (Continued)

Program services

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

Agriculture

Programs helping smallholder farming families increase food security and income by improving sustainable production systems, restoring degraded land, upgrading seed systems, strengthening farmer organizations, enhancing women's decision-making roles, linking farmers to markets and financial services, strengthening market systems, and producing more nutritious foods.

Water and Environment

Programs focusing on three priority areas: safe water, sanitation, and hygiene for health and well-being in emergency and development contexts; improving water and watershed management for agriculture and sustainable landscapes; and water finance and governance, convening stakeholder groups to access capital and equitably govern water resources to achieve sustainable water access for all.

Education

Programs working with schools, families, and communities to ensure that all school-aged children and youth are safe, healthy, supported, engaged, and resilient, and to influence and strengthen the education system's capacity to provide high quality learning opportunities to all learners.

Emergency

Programs offering a wide array of responses tailored to the local context and needs of affected communities; providing lifesaving assistance including food, shelter, medical equipment and assistance, clean water and hygiene supplies to help people experiencing an emergency with urgent relief; building on existing local systems to restore livelihoods and the local economy; supporting the repair and rebuilding of safe homes and infrastructure; promoting and investing in the leadership, capacity and reach of local partners to implement and manage quality, accountable and efficient emergency programming, including in a health pandemic; and providing the tools and skills people need to manage their own recovery.

Small Enterprise

Programs to support and develop sustainable, community-led and community-managed savings and internal lending communities (SILC) that provide a range of financial services (savings, loans, insurance, mobile money, financial education) and products to poor individuals, particularly women, youth, people with disabilities and smallholder farmers, who have limited or no access to financial services in the formal financial markets.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

1. Nature of Activities (Continued)

Health and Social Services

Programs seeking to ensure that all children reach their full health and development potential in safe and nurturing families by: reducing morbidity and mortality due to preventable diseases, including HIV and malaria; improving nutrition; and ensuring families provide safe and nurturing care.

Justice and Peacebuilding

Programs to strengthen local capacity to foster social cohesion through non-violent conflict prevention, mitigation, and reconciliation; to engage and influence government for more equitable systems and structures; to advance social justice in the areas of gender inequality and gender-based violence, protection of vulnerable children and adults, and prevention of human trafficking; and to apply a positive youth development approach to enhance young people's agency and leadership skills, develop their marketable and entrepreneurial skills, and ensure comprehensive, integrated support so that young people have access to dignified and sustainable livelihoods.

Partner Capacity Strengthening

Programs and activities that intentionally improve the programmatic and operational competency and leadership of an individual, group, network, system, or organization: by learning new knowledge, skills, attitudes; by reinforcing systems, and structures needed to function effectively; and by accompanying and mentoring colleagues in partners organizations in their work.

2. Significant Accounting Policies

A summary of CRS's significant accounting policies follows:

Principles of consolidation

The accompanying consolidated financial statements include the worldwide activities of CRS. All intercompany transactions and balances have been eliminated in consolidation.

Basis of accounting

The consolidated financial statements are presented in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) on the accrual basis of accounting whereby revenue is recognized when earned, unconditional support is recognized when received, and expenses are recognized when incurred.

Net Assets

As required by the U.S. GAAP, CRS reports its activities using two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

2. Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed restrictions. Restrictions may be temporary in nature, such as those that will be met by the passage of time or use for a purpose specified by the donor, or may be perpetual in nature, where the donor stipulates that resources be permanently maintained. Net assets not held in perpetuity are released from restrictions when the stipulated time has elapsed, or purpose has been fulfilled, or both, and are reported on the consolidated statement of activities as net assets released from restriction.

Use of estimates

The preparation of the consolidated financial statements in conformity with the U.S. GAAP 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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. Certain donors require cash to be held in segregated bank accounts. As of September 30, 2022 and 2021, restricted cash held in segregated bank accounts was \$60,013 and \$32,761, respectively.

Accounts receivable and other assets

Accounts receivable and other assets consist mainly of program receivables, bequests, charitable trusts and life insurance policy receivables, trade receivables, microfinance loans, prepaid expenses, and advances to subrecipients. Program receivables represent funds expended and recognized as revenue, but not yet received, on donor agreements for conditional grant programs. Management has determined that no allowance for doubtful accounts is required for program receivables.

Charitable trusts represent the fair value, using present value calculations, of CRS's interest in the donor's trust accounts. 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 of future benefits of the trust assets, discounted at a rate of 6.5% for 2022 and 2021. CRS is the owner and beneficiary of donated life insurance policies. These life insurance policies are recorded at current cash surrender value. The charitable trusts and life insurance policies are recognized as revenue when CRS is notified that it has been named as an irrevocable beneficiary.

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.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

2. Significant Accounting Policies (Continued)

Trade and microfinance receivables are considered to be past due if any portion of the receivable balance is outstanding for more than 90 days. Interest is accrued on microfinance receivables until the receivables are deemed uncollectible. Prepaid expenses consist primarily of funds provided to contractors to meet future obligations. Advances to subrecipients are advances to CRS subgrantees for future program implementation.

Investments

All investments are carried at fair value. Segregated investments represent investments required to be held in separate accounts related to the charitable gift annuity program and pooled income fund program. Investments received as contributions are recorded at fair value on the date of receipt. Investment income, including realized and unrealized changes in fair value, is recognized when earned in the consolidated statement of activities.

CRS's non-segregated investments include investment pools which are valued at net asset value based on the applicable percentage ownership of the underlying pools' net assets as of the measurement date.

In determining fair value, CRS utilizes valuations provided by the investment fund manager. The investment fund manager values securities and other financial instruments on a fair value basis of accounting. The fair value of CRS's investments generally represents the amount CRS would expect to receive if it were to liquidate its investments. However, the estimated fair values of the assets underlying these investments may include securities for which prices are not readily available 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 from the values that would have been used had a ready market existed for these investments. CRS may adjust the investment fund manager valuations when circumstances support such an adjustment.

Undistributed commodities and program materials

Undistributed commodities and program materials (inventory) consist of agricultural commodities, pharmaceuticals, bed nets and other non-food program materials not used as of September 30. Purchased inventory is recorded at the lower of cost or net realizable value, while donated inventory is recorded at estimated fair value. Inventory is reduced and expensed when used and distributed using the first-in, first-out method.

Land, building and equipment

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

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

2. Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount 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 cost to sell.

Leases

CRS determines whether an arrangement contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration and other facts and circumstances.

Right-of-use assets (ROU assets) represent CRS's right to use an underlying asset for the lease term and lease liabilities represent CRS's obligation to make lease payments arising from the lease. ROU assets are calculated based on the lease liability adjusted for any lease payments paid to the lessor at or before the commencement date and initial direct costs incurred by CRS and excludes any lease incentives received from the lessor. Lease liabilities are recognized based on the present value of lease payments over the lease term. As the lessee, CRS cannot determine the implicit interest rate in a lease and therefore, uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of future payments.

Lease expense for operating leases is recognized on a straight-line basis over the term of the lease. Variable lease payments are the portion of lease payments that are not fixed over the lease term. Variable lease payments are expensed as incurred, and include certain non-lease components, such as maintenance and other services provided by the lessor, and other charges included in the lease, as applicable. CRS elected to combine lease and non-lease components as a single lease component and to exclude short-term leases, defined as leases with an initial term of twelve months or less, from its consolidated statement of financial position.

Lease expense for operating leases is recorded within program services within the consolidated statement of activities. Lease expense is further allocated among salaries and related benefits, occupancy, and warehousing expenses within program services.

Advances received for programs

Funds received on conditional grants are recorded as advance obligations to the funding entity until the condition is met per the program agreement, at which time they are recognized as revenue.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

2. Significant Accounting Policies (Continued)

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 2021 Mortality table with no adjustments, assuming interest rates of 2.5% to 7.0% 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, if any.

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 consolidated financial statements.

Interest rate swap contracts are used to adjust a portion of total debt that is subject to variable interest rates to a specified fixed rate. 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 10, in CRS's consolidated statements of financial position within accounts payable, accrued expenses and other liabilities and the related gain or loss on these contracts is recognized as realized and unrealized (loss) gain on investments and financial instruments in the consolidated statements 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 counterparties.

Designation of revenue

Support and revenue from the U.S. or foreign governments and from organizations such as the United Nations, The Global Fund and other various partners, is classified under public support and revenue. Support and revenue from individuals, parishes and dioceses, as well as non-governmental organizations, foundations and corporations is classified under private support and revenue.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

2. Significant Accounting Policies (Continued)

Contributions

Unconditional contributions, including the CRS Collection, CRS Rice Bowl and bequests, are recorded at net realizable value as revenue on receipt or when unconditional promises to give are received. Contribution revenue is recorded as increases in net assets without donor restrictions, unless their use is limited by time or donor-imposed restrictions.

Revenue and expenses related to gift annuities, pooled income, charitable trusts, realized and unrealized gains and losses on investments, and defined benefit plan adjustments are classified as investment and other gains and losses.

Donated non-financial assets

CRS receives donated goods, consisting of agricultural commodities, bed nets, pharmaceuticals and other non-food items, at no cost, from the U.S. Government, the United Nations World Food Program, the Global Fund to Fight AIDS, Tuberculosis and Malaria (the Global Fund) and other various partners. These gifts are measured at fair value according to valuation techniques suitable for the inventory categorization type or item and with consideration of the principal or most advantageous market for the item received. CRS periodically receives donated freight services in conjunction with the transportation of agricultural commodities. Fair value measures are applied to these services according to the true cost of shipment paid on behalf of CRS by donors.

Government and other grant funding

Support and revenue related to government and other grants 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 coupled with other performance and/or control barriers. For this reason, CRS's grant agreements are considered conditional and so, referred to as "conditional grants" as described in Note 18. Accordingly, amounts received, but not recognized as revenue, are classified in the consolidated statements of financial position as advances received for programs.

Functional expenses

The costs of providing CRS's various programs and supporting services have been summarized on a functional basis. Costs that can be identified with a specific program or support services are charged directly according to their natural expenditure classifications. Other costs that are common to multiple program and support functions are allocated on various basis. Vehicle expenses are allocated based on distances driven by program area. All field related program administration and support costs are allocated based on direct costs. Costs related to facilities are allocated to various functions based on space usage. The consolidated statement of functional expenses present the natural classification detail of expenses by function.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

2. Significant Accounting Policies (Continued)

Joint costs

Expenses related to the CRS Rice Bowl program jointly support fundraising and educational and other programming. These expenses totaled \$1,355 and \$1,209 for the years ended September 30, 2022 and 2021, respectively. Expenses were allocated 42% to fundraising and 58% to program services for fiscal year 2022 and 33% to fundraising and 67% to program services for fiscal year 2021.

Self-insured medical plan

Under the CRS plan, medical insurance coverage is obtained for each employee so that exposure to excessive medical expenses is capped in conjunction with certain stop loss provisions. Provisions for expenses expected under this program are recorded based upon CRS's estimates of the aggregate liability for claims incurred and recorded in accounts payable, accrued expenses and other liabilities on the consolidated statements of financial position.

Income taxes

CRS is generally exempt from federal income taxes under IRC Section 501(c)(3). In addition, contributions to CRS qualify for charitable deductions under Section 170(b)(1)(A)(vi). CRS 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, 2022 and 2021, CRS has concluded it has no such unrelated business income.

CRS has adopted the 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 consolidated 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 consolidated financial statements to comply with the provision of this guidance.

Subsequent events

CRS has established a general standard of accounting for the disclosure of events that occur after the consolidated statement of financial position date through the date the consolidated financial statements are issued. CRS has evaluated subsequent events through April 17, 2023, the date on which the consolidated financial statements were issued. There were no events noted that required adjustments to, or disclosure in, these consolidated financial statements.

Reclassification

Certain of the 2021 comparative amounts were reclassified to conform to the 2022 presentation. These reclassifications had no effect on the previously reported net assets or the change in net assets.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

2. Significant Accounting Policies (Continued)

Recently adopted accounting pronouncements

Certain accounting pronouncements which have recently been issued by the Financial Accounting Standards Board (FASB) and adopted by CRS are as follows:

In August 2018, the FASB issued Accounting Standards Update (ASU) 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* which modifies the disclosure requirements for defined benefit pension plans and other post-retirement plans including additional disclosures for cash balance pension plans and narrative description of the reasons for significant gains and losses affecting the benefit obligation for the period. CRS has applied the ASU to include explanations for changes to the benefit obligation and removed the disclosure for the effects of a 1-percentage point change in assumed health care cost trends rates.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Non-Financial Assets*, which requires nonprofit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. This standard also increases the disclosure requirements around nonfinancial assets, including disaggregating by category the type of contributed nonfinancial assets the nonprofit entity has received. The disclosure requirements were effective for CRS's fiscal year ending September 30, 2022. CRS has applied the applicable disclosure guidance, which did not result in a significant impact on the financial statements, apart from increased disclosure.

Recent accounting pronouncements issued but not yet adopted

Certain accounting pronouncements which have recently been issued by the FASB and are relevant to CRS for future fiscal years are as follows:

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. This change in disclosure will be effective for CRS's fiscal year ending September 30, 2024. CRS is in the process of evaluating the impact of this new guidance.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

3. Significant Donors and Concentration of Credit Risk

Grant revenue from the U.S. government, including agricultural commodities and ocean freight, was 52% of CRS's total support and revenue for the years ended September 30, 2022 and 2021. Program receivables from the U.S. government represent 45% and 33% of total accounts receivable as of September 30, 2022 and 2021, respectively.

Cash and cash equivalents and segregated investments include demand deposits that are maintained at various financial institutions in the U.S. and foreign countries. The total deposits at institutions in the U.S. exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. Deposits held at institutions outside of the U.S. are not subject to insurance. At September 30, 2022 and 2021, \$119,770 and \$110,996, respectively, of deposits were in excess of FDIC insurance including \$53,760 and \$53,105, respectively, held in numerous financial institutions outside of the U.S.

CRS invests in a professionally managed portfolio that contains shares of U.S. Treasury and Agency securities, equity securities, corporate and other private debt securities and investment pools. 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 consolidated financial statements.

4. Accounts Receivable and Other Assets

At September 30, 2022 and 2021, accounts receivable and other assets consist of the following:

	2022	2021
Program receivables	\$ 138,852	\$ 128,913
CRS Collection receivable	-	1,573
Bequest and other contributions receivable	5,010	15,162
Charitable trust and life insurance policy receivables	15,424	18,586
Trade receivables	4,749	5,041
Microfinance loans receivable	18	1,114
Total accounts receivable	164,053	170,389
Less allowance for doubtful accounts	(1,114)	(2,116)
Total accounts receivable, net	162,939	168,273
Prepaid expenses	64,380	66,731
Advances to subrecipients	34,353	16,651
Other assets	6,157	5,161
Total accounts receivable and other assets	\$ 267,829	\$ 256,816

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

5. Investments and Fair Value Measurements

U.S. GAAP 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. Three levels of the hierarchy are used to determine fair value for consolidated financial statement purposes, as 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.

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 in this category generally 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 for a specific investment 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 U.S. equities, emerging markets, and money market funds 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 U.S. treasury obligations, U.S. government agency bonds, mortgage-backed securities, asset backed securities, corporate, foreign and other obligations 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. 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.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

5. Investments and Fair Value Measurements (Continued)

Level 3: Charitable trusts are stated at fair value, using present value calculations of the trusts. 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, 2022 and 2021, including securities detailed in the fair value disclosure, is as follows:

		2022
Non-segregated investments:		\$ 186,605
Segregated gift annuities	39,839	
Segregated pooled income fund	1,089	
<hr/>		
Total segregated investments		40,928
<hr/>		
Total investments		227,533
Accrued interest		(345)
Cash equivalents from segregated investments		(1,638)
<hr/>		
Investments included in fair value disclosure		\$ 225,550
<hr/>		
		2021
Non-segregated investments:		\$ 188,460
Segregated gift annuities	47,124	
Segregated pooled income fund	1,315	
<hr/>		
Total segregated investments		48,439
<hr/>		
Total investments		236,899
Accrued interest		(317)
Cash equivalents from segregated investments		(1,268)
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Investments included in fair value disclosure		\$ 235,314
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Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

5. Investments and Fair Value Measurements (Continued)

The following table presents CRS's fair value hierarchy for those assets reflected in the consolidated statements of financial position, measured at fair value as of September 30, 2022:

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	\$ 2,058	\$ 2,058	\$ -	\$ -
Industrials	6,683	6,683	-	-
Telecommunications	4,506	4,506	-	-
Consumer discretionary	7,705	7,705	-	-
Consumer staples	3,782	3,782	-	-
Energy	2,808	2,808	-	-
Equity funds	4	4	-	-
Financials	8,112	8,112	-	-
Health care	7,352	7,352	-	-
Information technology	14,250	14,250	-	-
Utilities	1,893	1,893	-	-
Real estate	1,762	1,762	-	-
Emerging market equities	6,488	6,488	-	-
Fixed income securities:				
U.S. Treasury obligations	76,808	-	76,808	-
U.S. government agency bonds	11,794	-	11,794	-
Mortgage backed securities	2,954	-	2,954	-
Asset backed securities	6,959	-	6,959	-
Corporate, foreign and other obligations	34,924	-	34,924	-
	200,842	\$ 67,403	\$ 133,439	\$ -
Investment pools (a):				
International equities	16,730			
Alternative investment fund	7,204			
Private equities	774			
Total investments	\$ 225,550			
Charitable trusts	\$ 14,562	\$ -	\$ -	\$ 14,562
Money market funds	\$ 20,973	\$ 20,973	\$ -	\$ -
Financial liabilities:				
Interest rate swap contracts	\$ 1,265	\$ -	\$ 1,265	\$ -

(a) Certain investments which are measured at net asset value (NAV) per share are not required to be classified in the fair value hierarchy according to ASU 2015-07. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

5. Investments and Fair Value Measurements (Continued)

The following table presents CRS's fair value hierarchy for those assets reflected in the consolidated statements of financial position, measured at fair value as of September 30, 2021:

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	\$ 2,392	\$ 2,392	\$ -	\$ -
Industrials	7,542	7,542	-	-
Telecommunications	7,543	7,543	-	-
Consumer discretionary	9,634	9,634	-	-
Consumer staples	3,697	3,697	-	-
Energy	1,913	1,913	-	-
Equity funds	26	26	-	-
Financials	9,615	9,615	-	-
Health care	8,983	8,983	-	-
Information technology	19,006	19,006	-	-
Utilities	1,771	1,771	-	-
Real estate	2,059	2,059	-	-
Emerging market equities	6,917	6,917	-	-
Fixed income securities:				
U.S. Treasury obligations	92,879	-	92,879	-
U.S. government agency bonds	7,906	-	7,906	-
Mortgage backed securities	1,090	-	1,090	-
Asset backed securities	1,946	-	1,946	-
Corporate, foreign and other obligations	24,619	-	24,619	-
	<u>209,538</u>	<u>\$ 81,098</u>	<u>\$ 128,440</u>	<u>\$ -</u>
Investment pools (a):				
International equities	20,137			
Alternative investment fund	5,639			
Total investments	<u>\$ 235,314</u>			
Charitable trusts	\$ 17,689	\$ -	\$ -	\$ 17,689
Money market funds	\$ 19,660	\$ 19,660	\$ -	\$ -
Financial liabilities:				
Interest rate swap contracts	\$ 4,217	\$ -	\$ -	\$ -

(a) Certain investments which are measured at net asset value (NAV) per share are not required to be classified in the fair value hierarchy according to ASU 2015-07. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

5. Investments and Fair Value Measurements (Continued)

For the years ended September 30, 2022 and 2021, the fair value hierarchy above includes money market funds of \$20,973 and \$19,660, respectively, which are included as cash equivalents on the consolidated statements of financial position. Cash and accrued interest are excluded from the fair value hierarchy as cash is generally measured at cost.

Changes in Level 3 assets for the years ended September 30, 2022 and 2021, were as follows:

	Fair Value Measurements Using Level 3 Inputs	
	2022	2021
Beginning balance, October 1	\$ 17,689	\$ 16,590
Distribution	(1,097)	(1,743)
Change in valuation	(2,030)	2,842
Ending balance, September 30	\$ 14,562	\$ 17,689

CRS investments include investment pools which are measured at NAV. Information pertaining to these investments at September 30, 2022 and 2021, is as follows:

	2022	2021	Unfunded Commitments	Frequency Redemption (If Currently Eligible)	Redemption Notice Period
International equities	\$ 16,730	\$ 20,137	\$ -	Monthly	10 days
Alternative investment funds	7,204	5,639	766	N/A	N/A
Private equities	774	-	1,046	N/A	N/A

The international equities include 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.

The alternative investment funds include investment pools targeting Impact Investments through several investment portfolios. The various portfolios seek to achieve attractive financial returns while promoting a positive social, financial and environmental impact within the communities they serve.

The private equity fund seeks to build a well-diversified portfolio of impact investments, with a focus on clean energy transition, sustainable processes, health and wellness, and community development. The fund will target minority positions in equity and equity related investments alongside leading buyout and growth capital financial sponsors.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

6. Segregated Investments

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, 2022 and 2021, CRS received \$2,523 and \$3,503, respectively, of new charitable gift annuities, earned net investment income of \$649 and \$907, respectively, and made contractual annuity payments of \$4,646 and \$4,696, respectively.

During the years ended September 30, 2022 and 2021, the pooled income fund made earnings distributions to participants of \$37 and \$46, respectively.

Revenue from annuity contracts and the pooled income fund is recognized based on the present value of CRS's interest.

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. Translation gains and losses are included in current results. Total net foreign currency translation losses of \$1,368 and \$765 for the years ended September 30, 2022 and 2021, respectively, are included in printing, supplies, office and miscellaneous expense in the consolidated statements of functional expenses.

8. Land, Building and Equipment

Land, building and equipment at September 30, 2022 and 2021, are summarized as follows:

	2022	2021
Land	\$ 1,786	\$ 1,786
Building and improvements	31,050	30,977
Furniture, equipment and vehicles	82,238	78,827
	115,074	111,590
Less accumulated depreciation	(74,238)	(71,391)
	\$ 40,836	\$ 40,199

Land, building and equipment includes restricted and grant assets of \$6,022 and \$6,167 at September 30, 2022 and 2021, respectively. Of these assets, \$4,081 and \$3,910 at September 30, 2022 and 2021, respectively, are restricted in compliance with federal program grant agreements as to use, resale and maintenance.

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

9. Leases

CRS has operating leases for offices, expatriate housing, warehouses, apartments, and office equipment. CRS's property leases generally contain renewal options for periods ranging from one to five years. If CRS is reasonably certain to exercise these renewal options at lease inception, the options are considered in determining the lease term, and payments associated with the option years. Office equipment leases are inclusive of printer and copier equipment and are generally for terms of 60 months.

Operating lease right-of-use assets and lease liabilities as of September 30, 2022 and 2021, consisted of the following:

	2022	2021
Assets:		
Operating lease right-of-use assets	\$ 23,732	\$ 25,956
Liabilities:		
Operating lease liabilities	\$ 23,600	\$ 23,989

The components of lease cost for the years ended September 30, 2022 and 2021, were as follows:

	2022	2021
Operating lease cost	\$ 16,293	\$ 14,311
Short-term lease cost	1,303	435
Total lease cost	\$ 17,596	\$ 14,746

Supplemental information regarding assumptions and cash flows for the operating leases is as follows:

	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 13,828	\$ 12,967
Leased assets obtained for new operating lease liabilities	\$ 15,276	\$ 9,180

The lease term and discount rate for operating leases is as follows:

	2022	2021
Weighted average remaining lease term	3.9 years	2.9 years
Weighted average discount rate	3.00%	3.41%

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Notes to Consolidated Financial Statements (In Thousands)

9. Leases (Continued)

As of September 30, 2022, maturities of lease liabilities are as follows:

<i>Years ending September 30:</i>	
2023	\$ 9,296
2024	6,163
2025	3,320
2026	2,194
2027	1,663
2028 and after	2,454
<hr/>	
Total lease payments	25,090
Less interest	(1,490)
<hr/>	
Present value of lease liabilities	\$ 23,600

10. Borrowings

Long-term debt at September 30, 2022 consisted of the following:

	Principal	Unamortized Debt Issuance Costs	Net
Series 2022 tax-exempt variable rate demand bonds	\$ 19,555	\$ 184	\$ 19,371
Note payable	2,000	-	2,000
<hr/>			
Total	\$ 21,555	\$ 184	\$ 21,371

Long-term debt at September 30, 2021 consisted of the following:

	Principal	Unamortized Debt Issuance Costs	Net
Series 2006 tax-exempt variable rate demand bonds	\$ 19,555	\$ 130	\$ 19,425
Note payable	2,000	-	2,000
<hr/>			
Total	\$ 21,555	\$ 130	\$ 21,425

Catholic Relief Services - United States Conference of Catholic Bishops and Affiliates

Notes to Consolidated Financial Statements (In Thousands)

10. Borrowings (Continued)

CRS issued tax-exempt variable rate demand bonds in the amount of \$19,555 in connection with renovations of the headquarters space in 2006. On May 1, 2022, the Series 2006 bonds and the collateral letter of credit in the amount of \$19,743 were terminated. Series 2022 tax-exempt variable rate bonds (Series 2022 bonds) in the amount of \$19,555 were issued for refunding of the prior bond. The Series 2022 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. The interest rate per annum is determined by the remarketing agent based upon market conditions. The Series 2022 bonds are not publicly traded. Principal payments on the bonds begin in May 2023 and continue until final maturity in May 2036.

The bonds contain certain financial and non-financial covenants, which were met for the years ended September 30, 2022 and 2021.

Upon issuance of the Series 2022 bonds, CRS continued to maintain an interest rate swap agreement to reduce the impact of interest rate changes on its tax-exempt bonds. The agreement was executed with a notional principal in the amount of \$19,145 for the tax-exempt variable rate demand bonds. The contract is based on an issue rate of 67% of London Interbank Offered Rate (LIBOR), and fixes the interest rate at 3.40%, through May 2036.

The value of the swap instruments as of September 30, 2022 and 2021, and the change in value is reflected as follows:

	2022	2021
Beginning liability balance, October 1	\$ 4,217	\$ 5,797
Unrealized gain	(2,952)	(1,580)
Ending liability balance, September 30	\$ 1,265	\$ 4,217

The swap instrument values are included in accounts payable, accrued expenses and other liabilities on the consolidated statements of financial position. The annual changes in the values of the swap instruments are included in the realized and unrealized gains and losses on investments and financial instruments on the consolidated statements of activities.

CRS has a line of credit agreement with Bank of America with a maximum commitment of \$20,000. This short-term debt includes interest payable on the first of each month. Interest is calculated using the greater of the LIBOR daily rate or the index floor of 0.0% plus 0.75% per annum calculated using a 360-day year. The line of credit has been extended to June 15, 2023. As of September 30, 2022 and 2021, CRS had an outstanding balance of \$5,000 and \$8,000, respectively.

On January 6, 2021, CRS received a note payable of \$1,000 from the Silicon Valley Community Foundation (SVCF), which serves as capital to Isidro Investments, LLC for program uses in Guatemala, El Salvador, Haiti, and other countries approved by the Isidro Board of Directors for the period of January 1, 2021 to be repaid by December 31, 2023. On May 28, 2021, CRS received another note payable of \$1,000 from SVCF, which serves as capital to Isidro Investments, LLC for program uses in Latin America, the Caribbean, and other countries approved by the Isidro Board of Directors for the period of August 1, 2021 to be repaid by July 31, 2024.

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Notes to Consolidated Financial Statements (In Thousands)

10. Borrowings (Continued)

Future annual maturities on borrowings as of September 30, 2022, are as follows:

<i>Years ending September 30:</i>	
2023	\$ 5,135
2024	3,190
2025	1,235
2026	1,280
2027	1,330
2028 - 2036	14,385
	26,555
Less unamortized debt issuance costs	(184)
	\$ 26,371

11. Donated Non-Financial Assets

Donated non-financial assets received in the years ended September 30, 2022 and 2021, consist of the following:

	2022	2021
Agricultural commodities from USAID and USDA	\$ 174,035	\$ 116,172
Agricultural commodities from UN and other donors	38,264	56,999
Ocean freight	121,569	67,729
Bed nets	88,368	41,176
Pharmaceuticals	22,277	53,797
Other items	8,040	654
	\$ 452,553	\$ 336,527

CRS receives donated agricultural commodities, ocean freight, pharmaceuticals, bed nets and other in-kind gifts at no cost from the United States Agency for International Development (USAID), the United States Department of Agriculture (USDA), the United Nations World Food Program (UNWFP), the Global Fund and other various donors for distribution under agreements related to specific relief programs.

At the time of receipt, donated goods, which are inventory related, are recorded as deferred revenue, as significant barriers are deemed to exist in conjunction with both revenue recognition requirements and under most CRS grant agreements. Barriers for revenue recognition are deemed to have been met once donated goods are distributed, in conjunction with the terms and provisions of the grant agreements, upon which revenue without donor restrictions is recognized. Donated goods not distributed on September 30, 2022 and 2021 are carried as undistributed commodities and program materials and deferred revenue, so no donor restricted net assets exist at September 30, 2022 or 2021 associated with donated goods. Unless specified in grant agreements, CRS does not monetize donated goods without donor approval.

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Notes to Consolidated Financial Statements (In Thousands)

11. Donated Non-Financial Assets (Continued)

Agricultural commodities are valued using guidelines published by the Commodities Credit Corporation (an agency of the U.S. government) or at their insurable value, which approximates fair market value in the most advantageous market. Agricultural commodity donations from other donors are valued at their insurable value, which approximates fair market value in the most advantageous market. Donated agricultural commodities were utilized for emergency response, health and social services or educational program service areas.

Ocean freight transportation is managed by a third-party agency for shipment of agricultural commodities between CRS and transportation agents. Fair market value for these services is determined based on the actual value paid for commodity shipments to transportation carriers, on behalf of CRS by the U.S. government. The value of ocean freight transportation services was included in expenses for emergency response, health and social services or educational program services areas and was also recognized as public revenue.

Bed nets are primarily procured via donations from Global Fund, who purchases bed nets directly from various manufacturers on behalf of CRS. Fair market value is determined based on receipt of the commercial invoice from the bed net manufacturer, which represents the principal market in all geographic distribution areas. Bed nets were utilized for emergency response and health and social service and education program services.

Pharmaceutical donations from U.S. producers are approved by the U.S. Food and Drug Administration (FDA) for use in the U.S. In determining fair value for these pharmaceuticals, management has concluded that the geographical areas where these items are distributed do not represent their principal market and therefore considers the most advantageous market to be the U.S. for those items approved for use in the U.S. Therefore, those approved for use in the U.S. are recorded at the wholesale value as indicated in recognized industry publications. Pharmaceutical donations were utilized for emergency response or health and social service program services.

Non-food items consist of other miscellaneous program materials such as sanitation products, educational materials, bicycles and medical diagnostic devices. Fair market value for non-food items is determined based on the pricing provided by the donor (for example, commercial invoices, packing list, etc.) to CRS or fair market assessment for costs of similar products, which would be able to be purchased in the closest geographic procurement source, which is deemed to be the principal market. Non-food items were utilized for emergency response, health and social service and education program services.

12. Retirement Plans

CRS has a non-contributory defined benefit pension plan (the 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. A minimum of five years of service was required to be eligible for pension plan benefit. Pension plan benefits were frozen effective December 31, 2013. CRS also has a post-retirement health plan for employees who retire after the age of 65 with at least twenty years of service. Effective December 31, 2013, the plan was modified to exclude benefit contribution subsidies for any future qualifying participants. CRS funds retiree healthcare premiums on a cash basis, and for the years ended September 30, 2022 and 2021, paid \$215 and \$187, respectively, for retirees' healthcare coverage. The expected contribution for the year ending September 30, 2023, is \$212.

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Notes to Consolidated Financial Statements (In Thousands)

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, 2022 and 2021:

	Pension Plan		Post-Retirement Health Plan	
	2022	2021	2022	2021
Change in projected benefit obligation:				
Benefit obligation at beginning of period	\$ 124,301	\$ 124,529	\$ 3,251	\$ 3,547
Service cost	118	-	-	-
Interest cost	3,535	3,346	80	79
Plan participant contributions	-	-	55	56
Benefits and administrative expenses paid	(3,175)	(3,598)	(270)	(243)
Actuarial (gain) loss	(35,295)	24	(684)	(188)
Benefit obligation at end of period	89,484	124,301	2,432	3,251
Change in plan assets:				
Fair value of plan assets at beginning of period	91,410	78,660	-	-
Actual return on plan assets	(15,781)	15,348	-	-
Employer contributions	1,050	1,000	215	187
Plan participant contributions	-	-	55	56
Benefits and administrative expenses paid	(3,175)	(3,598)	(270)	(243)
Fair value of plan assets at end of period	73,504	91,410	-	-
Funded status at end of year	\$ (15,980)	\$ (32,891)	\$ (2,432)	\$ (3,251)
Amounts recognized in consolidated statements of financial position				
	\$ (15,980)	\$ (32,891)	\$ (2,432)	\$ (3,251)
Cumulative amounts recognized in non-operating revenue and expenses:				
Net loss (gain)	\$ 6,029	\$ 20,526	\$ (999)	\$ (316)
Accrued benefit cost	\$ 6,029	\$ 20,526	\$ (999)	\$ (316)
Components of net periodic benefit cost:				
Service cost	\$ 118	\$ -	\$ -	\$ -
Interest cost	3,535	3,346	80	79
Expected return on plan assets	(5,851)	(5,023)	-	-
Amortization of net loss	834	2,136	-	-
Total net periodic benefit cost	(1,364)	459	80	79
Other changes in plan assets and benefit obligations recognized in non-operating revenue:				
Net gain	(13,663)	(10,301)	(683)	(188)
Amortization of net gain	(834)	(2,136)	-	-
Total recognized in non-operating revenue	(14,497)	(12,437)	(683)	(188)
Total recognized in net periodic benefit cost and non-operating revenue	\$ (15,861)	\$ (11,978)	\$ (603)	\$ (109)
Weighted-average assumptions:				
Discount rate	5.40%	2.89%	5.33%	2.54%
Expected return on plan assets	6.50%	6.50%	N/A	N/A
Rate of compensation increase	N/A	N/A	N/A	N/A

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Notes to Consolidated Financial Statements (In Thousands)

12. Retirement Plans (Continued)

The investment objective of the pension plan is to attain an overall return in excess of the actuarially assumed rate, while protecting the pension plan's principal by managing investment risk. CRS's Budget and Finance Committee has selected market-based benchmarks to monitor the performance of the investment strategy.

The gain leading to the significant decrease in the defined benefit obligation for the period is primarily driven by an increase in the discount rate.

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

Asset Class	Minimum	Target	Maximum
U.S. equities	27%	42%	57%
Fixed income	25%	35%	45%
International equities	8%	13%	18%
Emerging market equities	0%	5%	10%
Alternative investments	0%	5%	10%

The investment policy requires compliance with applicable state and federal regulations, including the Employee Retirement Income Security Act of 1974 (ERISA), as amended. 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.

Allocations of pension plan assets at September 30, 2022 and 2021, are as follows:

	2022		2021	
	Amount	Percent	Amount	Percent
U.S. equities and equivalents	\$ 37,188	50%	\$ 47,536	52%
Fixed income	21,857	30%	23,234	26%
International equities and equivalents	12,405	17%	16,758	18%
Cash equivalents	2,054	3%	3,882	4%
	\$ 73,504	100%	\$ 91,410	100%

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Notes to Consolidated Financial Statements (In Thousands)

12. Retirement Plans (Continued)

Pension plan assets as of September 30, 2022, which are not separately reflected in the consolidated statements of financial position, are invested as follows:

Description	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investment component:				
U.S. equities:				
Materials	\$ 1,291	\$ 1,291	\$ -	\$ -
Industrials	4,025	4,025	-	-
Telecommunications	2,722	2,722	-	-
Consumer discretionary	4,592	4,592	-	-
Consumer staples	2,271	2,271	-	-
Energy	1,662	1,662	-	-
Financials	4,741	4,741	-	-
Health care	4,242	4,242	-	-
Information technology	8,476	8,476	-	-
Utilities	1,165	1,165	-	-
Real estate	2,001	2,001	-	-
Fixed income securities:				
U.S. Treasury obligations	9,386	-	9,386	-
U.S. government agency bonds	6,419	-	6,419	-
Corporate and foreign bonds	6,052	-	6,052	-
	59,045	\$ 37,188	\$ 21,857	\$ -
Investment pools (a):				
International equities	11,352			
Private equities	1,053			
Total investments	<u>\$ 71,450</u>			
Money market funds	\$ 2,054	\$ 2,054	\$ -	\$ -

(a) Certain investments which are measured at NAV per share are not required to be classified in the fair value hierarchy according to ASU 2015-07. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

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Notes to Consolidated Financial Statements (In Thousands)

12. Retirement Plans (Continued)

Pension plan assets as of September 30, 2021, which are not separately reflected in the consolidated statements of financial position, are invested as follows:

Description	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investment component:				
U.S. equities:				
Materials	\$ 1,565	\$ 1,565	\$ -	\$ -
Industrials	4,971	4,971	-	-
Telecommunications	4,678	4,678	-	-
Consumer discretionary	6,122	6,122	-	-
Consumer staples	2,337	2,337	-	-
Energy	1,204	1,204	-	-
Financials	6,084	6,084	-	-
Health care	5,695	5,695	-	-
Information technology	11,852	11,852	-	-
Utilities	1,134	1,134	-	-
Real estate	1,894	1,894	-	-
Fixed income securities:				
U.S. Treasury obligations	8,549	-	8,549	-
U.S. government agency bonds	7,055	-	7,055	-
Corporate and foreign bonds	7,630	-	7,630	-
	70,770	\$ 47,536	\$ 23,234	\$ -
Investment pools (a):				
International equities	16,758			
Total investments	\$ 87,528			
Money market funds	\$ 3,882	\$ 3,882	\$ -	\$ -

(a) Certain investments which are measured at NAV per share are not required to be classified in the fair value hierarchy according to ASU 2015-07. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidated statements of financial position.

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Notes to Consolidated Financial Statements (In Thousands)

12. Retirement Plans (Continued)

Pension plan assets include investment pools which are measured at NAV. Information pertaining to these investments at September 30, 2022 and 2021, is as follows:

	2022	2021	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
International Equities (long-term value and growth fund)	\$ 11,352	\$ 16,758	\$ -	Monthly	10 days
Private equities	1,053	-	1,494	N/A	N/A

The international equities include 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 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.

The private equity fund seeks to build a well-diversified portfolio of impact investments, with a focus on clean energy transition, sustainable processes, health and wellness, and community development. The fund will target minority positions in equity and equity related investments alongside leading buyout and growth capital financial sponsors.

The pension plan contribution for the year ending September 30, 2023, is expected to be \$1,200. The pension plan's expected payouts for the next five years and the following five years in the aggregate, are as follows:

Years ending September 30:

2023	\$ 4,243
2024	4,163
2025	4,613
2026	4,913
2027	4,914
2028 - 2032	27,846

The post-retirement health plan's expected payouts for the next five years and the following five years in the aggregate, are as follows:

Years ending September 30:

2023	\$ 212
2024	210
2025	212
2026	205
2027	204
2028 - 2032	968

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Notes to Consolidated Financial Statements (In Thousands)

12. Retirement Plans (Continued)

CRS also provides eligible U.S. employees a defined contribution plan, which qualifies under IRC Section 403(b). Under the plan, CRS contributes to a participant's account an amount equal to 50% of the participant's contribution, not to exceed 3% of the participant's eligible earnings. CRS also provides an equivalent plan for non-U.S. expatriate staff. The contributions are invested in various mutual funds chosen by the participant.

Effective January 1, 2014, the defined contribution plans receive additional employer-provided contributions credited to eligible employees, as approved by the Board of Directors. In addition to the matching component noted above, CRS makes a contribution of 7% of wages for eligible employees and a 3% contribution above that amount for certain lower-waged staff. Also, staff employed on December 31, 2013, who are age 40 or above on that date, receive an additional 1% to 3% contribution, depending upon age.

CRS contributed \$10,313 and \$10,086 to these retirement plans for the years ended September 30, 2022 and 2021, respectively.

Effective January 1, 2022, CRS established a nonqualified deferred compensation plan to provide additional retirement savings for certain management employees. For the year ended September 30, 2022, \$55 was recognized as expense for this plan. The balance associated with the plan was \$157 for the year ended September 30, 2022. Plan balances are included in accounts receivable and other assets and accounts payable, accrued expenses and other liabilities on the accompanying consolidated statements of financial position.

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 \$225. The medical plan is administered through a contractual relationship with a third party plan administrator. 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 \$10,568 and \$10,962 for the years ended September 30, 2022 and 2021, respectively.

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Notes to Consolidated Financial Statements (In Thousands)

14. Net Assets

Net assets at September 30, 2022 and 2021, are composed of the following:

	2022		2021	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Available for operations	\$ 58,742	\$ -	\$ 88,982	\$ -
Board-designated operating reserve	60,000	-	60,000	-
Net assets with purpose restriction:				
Private emergency funds	-	103,388	-	47,445
Agency strategy and other	-	27,823	-	20,792
Net assets with time restriction:				
Charitable trust and life insurance policy	-	12,926	-	15,477
Pooled income fund	-	902	-	895
Private emergency and other Purpose-restricted endowments	-	10,380	-	12,371
Time-restricted endowments	-	16,028	-	21,062
Third-party trust endowment assets not subject to UPMIFA	-	2,498	-	3,109
Total net assets	\$ 118,742	\$ 173,945	\$ 148,982	\$ 121,151

Net assets were released for the following purposes during the years ended September 30, 2022 and 2021:

	2022	2021
Program restricted purposes met	\$ 69,057	\$ 38,686
Time restricted purposes met	1,643	2,381
	\$ 70,700	\$ 41,067

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. CRS therefore classifies as net assets with donor restrictions in perpetuity the original value of the gifts donated to the donor-restricted endowment. The remaining portion of the donor-restricted endowment fund that is not classified in perpetually restricted net assets is classified as time or purpose restricted net assets until those amounts are appropriated for expenditure by CRS in a manner consistent with the standard of prudence prescribed by UPMIFA.

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Notes to Consolidated Financial Statements (In Thousands)

15. Endowments (Continued)

In accordance with UPMIFA, CRS considers the following factors in making a determination to appropriate or accumulate income and gains of donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of CRS
- 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 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% of the average market value of the endowment based on a 12-quarter moving average, adjusted for contributions and distributions.

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires CRS to retain as a fund of perpetual duration. Subsequent gains restore the fair value of the assets of the endowment to the required level. At September 30, 2022, funds with an original gift value of \$13,031, fair value of \$10,356, and deficiency of \$2,675, were reported in net assets with donor restrictions. The deficiency resulted from unfavorable market fluctuations of investments. As required by the endowment policies, spending from underwater endowments was restricted to the net investment income fund balance available. There were no deficiencies as of September 30, 2021.

Endowment Net Assets with Donor Restrictions

<i>As of September 30,</i>	2022	2021
Purpose-restricted endowment funds	\$ 10,380	\$ 12,371
Time-restricted endowment funds	16,028	21,062
Total funds	\$ 26,408	\$ 33,433

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Notes to Consolidated Financial Statements (In Thousands)

15. Endowments (Continued)

Changes in Endowment Net Assets with Donor Restrictions

<i>Year ended September 30,</i>	2022	2021
Endowment net assets, beginning of the year	\$ 33,433	\$ 17,107
Net investment (loss) income	(7,049)	4,152
Contributions	2,004	13,044
Endowment draw to operating	(1,980)	(870)
Endowment net assets, end of the year	\$ 26,408	\$ 33,433

16. Commitments and Contingencies

CRS entered into a service agreement with a software vendor through 2026, for a minimum financial commitment of \$18,596. Termination rights under the agreement are only for a breach upon 30 days' notice. As of September 30, 2022, the remaining minimum commitment is \$11,693.

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.

During the year ended September 30, 2018, CRS identified a probable loss of assets relating to a distribution activity in a single overseas operating location. CRS is fully complying with the funder's requests for information. As the matter is still pending resolution, CRS has estimated a contingent liability for the probable loss using information obtained from the investigation as to the nature of how the loss occurred relative to the volume of the overall activity. CRS's estimate of this contingent liability is \$10 million and is included in accounts payable, accrued expenses and other liabilities in the consolidated financial statements as of September 30, 2022 and 2021. The actual loss (reimbursement to funder), if any, may vary from the estimate and that variance could be material.

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.

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Notes to Consolidated Financial Statements (In Thousands)

17. Liquidity and Availability of Financial Assets

The following reflects CRS's financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions or internal designations within one year of the consolidated statements of financial position date. Amounts not available include amounts set aside for operating and other reserves that could be drawn upon if the Board of Directors approves that action. Financial assets and donor restrictions due beyond one year are not included below.

<i>As of September 30,</i>	2022	2021
Financial assets due within one year:		
Cash and cash equivalents	\$ 120,542	\$ 113,101
Accounts receivable, net	147,340	148,602
Investments	182,605	189,714
Less those unavailable for general expenditures within one year:		
Advances received for programs	(172,559)	(151,008)
Restricted by donor with time or purpose restrictions	(131,211)	(68,237)
Donor-restricted endowments	(26,408)	(33,433)
Board designations:		
Board-designated operating reserve	(60,000)	(60,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 60,309	\$ 138,739

CRS's endowment funds consist of donor-restricted endowments that are part of net assets with donor restrictions. Certain income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditures. According to CRS's endowment spending policy, 5% of the three-year moving average balance of the endowment is available for expenditures consistent with the restriction of each specific endowment.

As part of CRS's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due, to help manage unanticipated liquidity needs. In addition, CRS has a board designated reserve of \$60,000 available to be appropriated for general expenditure if necessary.

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Notes to Consolidated Financial Statements (In Thousands)

18. Conditional Promises to Give

CRS has conditional promises (mainly conditional grants) to give from grantors and donors of \$1,518,001 as of September 30, 2022. Of the outstanding conditional promises to give from donors at September 30, 2022, \$979,007 was awarded by U.S. government donors to be spent through 2027 and \$538,994 was awarded by other donors to be spent through 2029. Future payments are contingent upon CRS carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant or contract.

CRS has made conditional promises (conditional grants) to implementing partners of \$390,484 as of September 30, 2022. Of the outstanding conditional promises to implementing partners, \$129,040 was awarded by U.S. government donors and \$261,444 was awarded by other donors as of September 30, 2022. Future payments are contingent upon the implementing partners carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant or contract.