



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

**Consolidated Financial Statements
Years Ended September 30, 2023 and 2022**

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

Consolidated Financial Statements
Years Ended September 30, 2023 and 2022

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

Contents

Independent Auditor's Report	2-3
Consolidated Financial Statements	
Consolidated Statements of Financial Position	4
Consolidated Statements of Activities	5-6
Consolidated Statements of Cash Flows	7
Consolidated Statements of Functional Expenses	8-11
Notes to Consolidated Financial Statements	12-43



Tel: 703-893-0600
Fax: 703-893-2766
www.bdo.com

8401 Greensboro Drive
Suite 800
McLean, VA 22102

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 statements of financial position as of September 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 available to be issued.



Auditors Responsibility 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, P.C.

McLean, Virginia
March 12, 2024

Consolidated Financial Statements

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

Consolidated Statements of Financial Position

(In Thousands)

September 30,	2023	2022
Assets		
Cash and cash equivalents	\$ 119,573	\$ 120,542
Accounts receivable and other assets	317,915	267,829
Investments	165,343	186,605
Segregated investments	42,502	40,928
Undistributed commodities and program materials	179,698	150,070
Operating lease right-of-use assets	23,026	23,732
Land, building and equipment, net	42,879	40,836
Total assets	\$ 890,936	\$ 830,542
Liabilities and Net Assets		
Liabilities		
Accounts payable, accrued expenses and other liabilities	\$ 119,264	\$ 116,362
Line of credit	30,000	5,000
Advances received for programs	183,572	172,559
Deferred revenue - commodities	176,604	146,140
Operating lease liabilities	21,780	23,600
Annuities payable	30,967	34,411
Retirement plan liabilities	8,527	18,412
Long-term debt, net of unamortized debt issuance costs	21,250	21,371
Total liabilities	591,964	537,855
Net assets		
Without donor restrictions	124,864	118,742
With donor restrictions	174,108	173,945
Total net assets	298,972	292,687
Total liabilities and net assets	\$ 890,936	\$ 830,542

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, 2023 <i>(with comparative totals for 2022)</i>	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and revenue				
Private support and revenue				
Private contributions	\$ 104,373	\$ 63,129	\$ 167,502	\$ 240,125
Foundation and other private revenue	65,876	-	65,876	57,357
Bequests	35,606	317	35,923	21,215
Catholic Relief Services Rice Bowl	-	7,948	7,948	7,207
Catholic Relief Services Collection	6,849	-	6,849	-
Total private support and revenue	212,704	71,394	284,098	325,904
Public support and revenue				
Donated non-financial assets	493,201	-	493,201	452,553
United States government grants and agreements	521,300	-	521,300	460,181
Other public grants and contributions	161,588	-	161,588	218,964
Total public support and revenue	1,176,089	-	1,176,089	1,131,698
Miscellaneous (loss) income	(157)	1,591	1,434	185
Net assets released from restrictions	80,173	(80,173)	-	-
Total support and revenue	1,468,809	(7,188)	1,461,621	1,457,787
Expenses				
Program services	1,398,395	-	1,398,395	1,331,573
Supporting services				
Management and general	50,401	-	50,401	49,778
Public awareness	8,985	-	8,985	8,392
Fundraising	29,236	-	29,236	33,180
Total supporting services	88,622	-	88,622	91,350
Total expenses	1,487,017	-	1,487,017	1,422,923
Change in net assets before investments and other (losses) gains	(18,208)	(7,188)	(25,396)	34,864
Investment and other gains (losses)				
Net change in annuities, trusts and pooled income fund	3,047	3,737	6,784	5,483
Realized and unrealized gain (loss) on investments and financial instruments	12,565	3,614	16,179	(32,973)
Defined benefit plan adjustments	8,718	-	8,718	15,180
Total investment and other gains (losses)	24,330	7,351	31,681	(12,310)
Change in net assets	6,122	163	6,285	22,554
Net assets				
Beginning of year	118,742	173,945	292,687	270,133
End of year	\$ 124,864	\$ 174,108	\$ 298,972	\$ 292,687

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	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue			
Private support and revenue			
Private contributions	\$ 113,955	\$ 126,170	\$ 240,125
Foundation and other private revenue	57,357	-	57,357
Bequests	21,211	4	21,215
Catholic Relief Services Rice Bowl	-	7,207	7,207
Catholic Relief Services Collection	-	-	-
Total private support and revenue	192,523	133,381	325,904
Public support and revenue			
Donated non-financial assets	452,553	-	452,553
United States government grants and agreements	460,181	-	460,181
Other public grants and contributions	218,964	-	218,964
Total public support and revenue	1,131,698	-	1,131,698
Miscellaneous (loss) income	(487)	672	185
Net assets released from restrictions	70,700	(70,700)	-
Total support and revenue	1,394,434	63,353	1,457,787
Expenses			
Program services	1,331,573	-	1,331,573
Supporting services			
Management and general	49,778	-	49,778
Public awareness	8,392	-	8,392
Fundraising	33,180	-	33,180
Total supporting services	91,350	-	91,350
Total expenses	1,422,923	-	1,422,923
Change in net assets before investments and other (losses) gains	(28,489)	63,353	34,864
Investment and other (losses) gains			
Net change in annuities, trusts and pooled income fund	7,541	(2,058)	5,483
Realized and unrealized loss on investments and financial instruments	(24,472)	(8,501)	(32,973)
Defined benefit plan adjustments	15,180	-	15,180
Total investment and other losses	(1,751)	(10,559)	(12,310)
Change in net assets	(30,240)	52,794	22,554
Net assets			
Beginning of year	148,982	121,151	270,133
End of year	\$ 118,742	\$ 173,945	\$ 292,687

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,	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 6,285	\$ 22,554
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation	4,837	5,086
Amortization of operating lease right-of-use assets	13,208	15,663
Loss on disposal of building and equipment	74	70
Realized and unrealized (gain) loss on sales of investments and financial instruments	(16,180)	32,973
Contributions restricted for permanent investment	(19)	(2,004)
Changes in assets and liabilities		
Increase in assets		
Accounts receivable and other assets	(50,086)	(11,013)
Undistributed commodities and program materials	(29,628)	(14,250)
Increase (decrease) in liabilities		
Accounts payable, accrued expenses and other liabilities	3,726	(5,327)
Advances received for programs	11,013	21,551
Deferred revenue - commodities	30,464	14,512
Operating lease liabilities	(14,322)	(13,828)
Annuities payable	(3,444)	(7,414)
Retirement plan liabilities	(9,885)	(17,730)
Net cash (used in) provided by operating activities	(53,957)	40,843
Cash flows from investing activities:		
Proceeds from sale of land, building and equipment	84	103
Purchase of land, building and equipment	(7,038)	(5,896)
Proceeds from sales and maturities of investments	454,227	664,203
Purchase of investments	(419,183)	(690,762)
Net cash provided by (used in) investing activities	28,090	(32,352)
Cash flows from financing activities:		
Principal payments and liquidations of long term debt	(121)	(54)
Contributions restricted for permanent investment	19	2,004
Proceeds from line of credit	207,000	95,000
Payments of line of credit	(182,000)	(98,000)
Net cash provided by (used in) financing activities	24,898	(1,050)
Net (decrease) increase in cash and cash equivalents	(969)	7,441
Cash and cash equivalents		
Beginning	120,542	113,101
Ending	\$ 119,573	\$ 120,542
Supplemental disclosure of cash flow information		
Cash payments for interest	\$ 1,669	\$ 836

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, 2023

(in Thousands)

<i>Description</i>	2023 Program Services								Total
	Agriculture and Livelihoods	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	\$ -	\$ 13,250	\$ 247,178	\$ -	\$ 91,172	\$ 8	\$ 218	\$ 351,831
Salaries and related benefits	42,764	5,320	35,106	111,464	2,270	55,685	15,696	10,564	278,869
Subgrants to implementing partners	26,321	1,782	20,040	165,338	1,328	71,328	9,148	6,481	301,766
Project labor and materials	8,991	2,484	11,721	77,913	1,173	8,710	2,310	752	114,054
Warehousing and freight	295	5	10,115	161,562	2	1,868	9	3	173,859
Contracting and professional fees	10,311	1,442	5,539	11,202	293	8,057	2,585	1,995	41,424
Travel, training and representation	8,213	1,265	7,743	15,443	516	26,796	2,660	2,181	64,817
Vehicle and equipment	2,431	370	2,436	8,924	165	7,589	881	515	23,311
Printing, supplies, office and miscellaneous expenses	3,824	120	1,935	6,223	(15)	8,870	578	640	22,175
Occupancy	1,676	280	2,028	5,710	197	3,054	953	370	14,268
Telecommunications and postage	1,240	101	626	2,771	38	2,133	358	102	7,369
Publicity	37	6	14	45	-	60	5	4	171
Depreciation	1,009	3	556	2,052	2	815	9	35	4,481
Total functional expenses	\$ 107,117	\$ 13,178	\$ 111,109	\$ 815,825	\$ 5,969	\$ 286,137	\$ 35,200	\$ 23,860	\$ 1,398,395

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, 2023

(Continued)
(in Thousands)

<i>Description</i>	2023 Supporting Services			Total Expenses	
	Management and General	Public Awareness	Fundraising	Total	2023
Food, other commodities and in-kind contributions	\$ -	\$ 476	\$ -	\$ 476	\$ 352,307
Salaries and related benefits	28,714	6,182	13,082	47,978	326,847
Subgrants to implementing partners	3	-	8	11	301,777
Project labor and materials	-	36	-	36	114,090
Warehousing and freight	57	6	4	67	173,926
Contracting and professional fees	15,786	993	3,318	20,097	61,521
Travel, training and representation	801	266	275	1,342	66,159
Vehicle and equipment	233	79	50	362	23,673
Printing, supplies, office and miscellaneous expenses	3,843	347	4,825	9,015	31,190
Occupancy	326	279	397	1,002	15,270
Telecommunications and postage	540	10	2,548	3,098	10,467
Publicity	-	215	4,567	4,782	4,953
Depreciation	98	96	162	356	4,837
Total functional expenses	\$ 50,401	\$ 8,985	\$ 29,236	\$ 88,622	\$ 1,487,017

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 and Livelihoods	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

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 121 countries through 67 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 2023 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, 2023 and 2022.

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 and Livelihoods

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, diversifying livelihood strategies, linking household members 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 (pre-primary through post-secondary) 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, financial education) and products to poor individuals, particularly women, young people, 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, prevention of human trafficking as well as inclusion of people with disabilities; and to apply a positive youth development framework to enhance young people's agency and leadership skills, develop their employability and entrepreneurial skills, and ensure they have access to comprehensive, integrated and quality support and services so they have dignified and sustainable livelihoods.

Partner Capacity Strengthening

Programs and activities designed to bolster both the programmatic and operational proficiency of individuals, groups, networks, systems, or organizations. This is achieved through the acquisition and application of new knowledge, skills, and attitudes; by fortifying the systems and structures necessary for effective functioning; and by providing guidance and accompaniment to colleagues in partner organizations to aid in the realization of the organization's local leadership vision and objectives.

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 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 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, 2023 and 2022, restricted cash held in segregated bank accounts was \$75,122 and \$60,013, respectively.

Accounts receivable and other assets

Accounts receivable and other assets consist mainly of program receivables, CRS Collection receivable, bequests, charitable trusts and life insurance policy receivables, trade receivables, 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.

The CRS collection receivable represents funds recognized as revenue, but still due from USCCB. These funds have been collected by USCCB from church collections specifically designated for CRS.

Bequest receivables are recorded when the will has gone through probate, is declared legally valid, and the interest that CRS has in a decedent's estate are reasonably estimated and assured to be received. CRS records the portion of CRS's interest in the estate, discounted at a rate of 7% for 2023 and 2022, to account for additional estate fees and taxes.

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 fiscal years ended September 30, 2023 and 2022. 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.

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

Notes to Consolidated Financial Statements (In Thousands)

2. Significant Accounting Policies (Continued)

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 using historical experience applied to an aging of the trade receivables. Trade receivables are written off when deemed uncollectible. Trade receivables are considered to be past due if any portion of the receivable balance is outstanding for more than 90 days.

Prepaid expenses consist primarily of funds provided to contractors and vendors 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 yet used as of September 30, 2023 and 2022. 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 5 to 15 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 3.0% to 7.0% compounded annually, and no provision for a surplus or contingency reserve. The interest rate is based upon 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 gain (loss) 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 to Fight AIDS, Tuberculosis and Malaria (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 (losses) on investments, and defined benefit plan adjustments are classified as investment and other gains (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 (UNWFP), 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 service are charged directly according to their natural expenditure classifications. Other costs that are common to multiple program and support functions are allocated on various bases. 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 \$1,412 and \$1,355 for the years ended September 30, 2023 and 2022, respectively. Expenses were allocated 48% to fundraising and 52% to program services for fiscal year 2023 and 42% to fundraising and 58% to program services for fiscal year 2022.

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, 2023 and 2022, 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.

Reclassification

Certain of the 2022 comparative amounts were reclassified to conform to the 2023 presentation. These reclassifications had no effect on the previously reported net assets or the change in net assets.

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 March 12, 2024, 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 except as disclosed in Note 10.

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

Notes to Consolidated Financial Statements (In Thousands)

2. Significant Accounting Policies (Continued)

Recent accounting pronouncements issued but not yet adopted

Certain accounting pronouncements which have recently been issued by the Financial Accounting Standards Board (FASB) and are relevant to CRS for future fiscal years are as follows:

In June 2016, the FASB issued Accounting Standards Update (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.

3. Significant Donors and Concentration of Credit Risk

Grant revenue from the U.S. government, including agricultural commodities and ocean freight, was 62% and 52% of CRS's total support and revenue for the years ended September 30, 2023 and 2022, respectively. Program receivables from the U.S. government represent 56% and 45% of total accounts receivable as of September 30, 2023 and 2022, 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, 2023 and 2022, \$118,790 and \$119,770, respectively, of deposits were in excess of FDIC insurance including \$64,846 and \$53,760, 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.

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

Notes to Consolidated Financial Statements (In Thousands)

4. Accounts Receivable and Other Assets

At September 30, 2023 and 2022, accounts receivable and other assets consist of the following:

	2023	2022
Program receivables	\$ 183,659	\$ 138,852
CRS Collection receivable	6,849	-
Bequest and other contributions receivable	6,311	5,010
Charitable trust and life insurance policy receivables	17,778	15,424
Trade receivables	8,858	4,767
Total accounts receivable	223,455	164,053
Less allowance for doubtful accounts	(987)	(1,114)
Total accounts receivable, net	222,468	162,939
Prepaid expenses	67,031	64,380
Advances to subrecipients	24,425	34,353
Other assets	3,991	6,157
Total accounts receivable and other assets	\$ 317,915	\$ 267,829

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.

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)

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.

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, 2023 and 2022, including securities detailed in the disclosure, is as follows:

	2023
Non-segregated investments:	\$ 165,343
Segregated gift annuities	41,556
Segregated pooled income fund	946
Total segregated investments	42,502
Total investments	207,845
Accrued interest	(508)
Cash equivalents from segregated investments	(1,390)
Investments	\$ 205,947

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)

	2022
Non-segregated investments:	\$ 186,605
Segregated gift annuities	39,839
Segregated pooled income fund	1,089
Total segregated investments	40,928
Total investments	227,533
Accrued interest	(345)
Cash equivalents from segregated investments	(1,638)
Investments	\$ 225,550

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, 2023:

Description	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Domestic equities	\$ 57,015	\$ 57,015	\$ -	\$ -
Foreign equities	6,338	6,338	-	-
Domestic government securities	77,127	-	77,127	-
Other fixed income securities	39,834	-	39,834	-
		\$ 63,353	\$ 116,961	\$ -
Investment pools (a):				
International equities	16,842			
Alternative investment fund	8,194			
Private equities	597			
Total investments	\$ 205,947			
Charitable trusts	\$ 16,760	\$ -	\$ -	\$ 16,760
Money market funds	\$ 15,707	\$ 15,707	\$ -	\$ -
Financial liabilities:				
Interest rate swap contracts	\$ 441	\$ -	\$ 441	\$ -

(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, 2022:

Description	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Domestic equities:	\$ 60,915	\$ 60,915	\$ -	\$ -
Foreign equities	6,488	6,488	-	-
Domestic government securities	88,601	-	88,601	-
Other fixed income securities	44,838	-	44,838	-
	<u>200,842</u>	<u>\$ 67,403</u>	<u>\$ 133,439</u>	<u>\$ -</u>
Investment pools (a):				
International equities	16,730			
Alternative investment fund	7,204			
Private equities	774			
Total investments	<u>\$ 225,550</u>			
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 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, 2023 and 2022, the fair value hierarchy above includes money market funds of \$15,707 and \$20,973, 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, 2023 and 2022, were as follows:

	Fair Value Measurements Using Level 3 Inputs	
	2023	2022
Beginning balance, October 1	\$ 14,562	\$ 17,689
Distribution	(1,287)	(1,097)
Change in valuation	3,485	(2,030)
Ending balance, September 30	\$ 16,760	\$ 14,562

CRS investments include investment pools which are measured at NAV. Information pertaining to these investments at September 30, 2023 and 2022, is as follows:

	2023	2022	Unfunded Commitments	Frequency Redemption (If Currently Eligible)	Redemption Notice Period
International equities	\$ 16,842	\$ 16,730	\$ -	Monthly	10 days
Alternative investment funds	8,194	7,204	766	N/A	N/A
Private equities	597	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 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, 2023 and 2022, CRS received \$1,862 and \$2,523, respectively, of new charitable gift annuities, earned net investment income of \$711 and \$649, respectively, and made contractual annuity payments of \$4,377 and \$4,646, respectively.

During the years ended September 30, 2023 and 2022, the pooled income fund made earnings distributions to participants of \$33 and \$37, 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 the reporting dates. Revenue and expenses are translated at rates in effect on the transaction dates. Translation gains and losses are included in current results. Total net foreign currency translation losses of \$4,611 and \$1,368 for the years ended September 30, 2023 and 2022, 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, 2023 and 2022, are summarized as follows:

	2023	2022
Land	\$ 1,786	\$ 1,786
Building and improvements	32,299	31,050
Furniture, equipment and vehicles	85,014	82,238
	119,099	115,074
Less accumulated depreciation	(76,220)	(74,238)
	\$ 42,879	\$ 40,836

Land, building and equipment includes restricted and grant assets of \$7,348 and \$6,022 at September 30, 2023 and 2022, respectively. Of these assets, \$5,042 and \$4,081 at September 30, 2023 and 2022, 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.

The components of lease cost, which are in occupancy expense on the statement of functional expenses, for the years ended September 30, 2023 and 2022, were as follows:

	2023	2022
Operating lease cost	\$ 14,760	\$ 16,293
Short-term lease cost	2,312	1,303
Total lease cost	\$ 17,072	\$ 17,596

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

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 14,322	\$ 13,828
Leased assets obtained for new operating lease liabilities	\$ 7,493	\$ 15,276

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

	2023	2022
Weighted average remaining lease term	3.8 years	3.9 years
Weighted average discount rate	4.59%	3.00%

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

Notes to Consolidated Financial Statements (In Thousands)

9. Leases (Continued)

As of September 30, 2023, maturities of lease liabilities are as follows:

<i>Years ending September 30:</i>	
2024	\$ 9,711
2025	5,399
2026	3,118
2027	2,168
2028	1,343
2029 and after	1,766
<hr/>	
Total lease payments	23,505
Less interest	(1,725)
<hr/>	
Present value of lease liabilities	\$ 21,780

10. Borrowings

Long-term debt at September 30, 2023 consisted of the following:

	Principal	Unamortized Debt Issuance Costs	Net
Series 2022 tax-exempt variable rate demand bonds	\$ 19,420	\$ 170	\$ 19,250
Note payable	2,000	-	2,000
<hr/>			
Total	\$ 21,420	\$ 170	\$ 21,250

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

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

Notes to Consolidated Financial Statements (In Thousands)

10. Borrowings (Continued)

CRS issued Series 2006 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 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 and was 4.97% and 3.10% as of September 30, 2023 and 2022, respectively. The Series 2022 bonds are not publicly traded. Principal payments on the bonds began 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, 2023 and 2022.

CRS has 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 80% of Secured Overnight Financing Rate (SOFR), and fixes the interest rate at 3.78%, through May 2036.

The value of the swap instruments as of September 30, 2023 and 2022, and the change in value is reflected as follows:

	2023	2022
Beginning liability balance, October 1	\$ 1,265	\$ 4,217
Unrealized gain	(824)	(2,952)
Ending liability balance, September 30	\$ 441	\$ 1,265

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 value of the swap instrument are included in the realized and unrealized gain (loss) on investments and financial instruments on the consolidated statements of activities.

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. CRS repaid the note payable to SVCF on January 4, 2024. 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.

During the years ended September 30, 2023 and 2022, total interest expense incurred on borrowings totaled \$1,699 and \$866, respectively.

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

Notes to Consolidated Financial Statements (In Thousands)

10. Borrowings (Continued)

Future annual maturities on long-term debt as of September 30, 2023, are as follows:

<i>Years ending September 30:</i>	
2024	\$ 3,190
2025	1,235
2026	1,280
2027	1,330
2028	1,375
2029-2036	13,010
	21,420
Less unamortized debt issuance costs	(170)
	\$ 21,250

CRS has a line of credit agreement with Bank of America with a maximum commitment of \$30,000. This short-term debt includes interest payable on the first of each month. Interest is calculated using the greater of the Bloomberg Short-Term Bank Yield Index rate (BSBY) daily floating rate or the index floor of 0.0% plus 0.85% per annum calculated using a 360-day year. As of September 30, 2023 and 2022 the interest rate was 6.24% and 3.87%, respectively. The line of credit has been extended to May 13, 2024. As of September 30, 2023 and 2022, CRS had an outstanding balance of \$30,000 and \$5,000, respectively.

11. Donated Non-Financial Assets

Donated non-financial assets received in the years ended September 30, 2023 and 2022, consist of the following:

	2023	2022
Agricultural commodities from USAID and USDA	\$ 235,702	\$ 174,035
Agricultural commodities from UN and other donors	19,148	38,264
Ocean freight	146,818	121,569
Bed nets	64,399	88,368
Pharmaceuticals	24,601	22,277
Other items	2,533	8,040
Donated non-financial assets	\$ 493,201	\$ 452,553

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. All donated non-financial assets will be utilized across CRS's various program areas.

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

Notes to Consolidated Financial Statements (In Thousands)

11. Donated Non-Financial Assets (Continued)

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 in accordance with most CRS grant agreements. Barriers for revenue recognition are deemed to have been met once donated goods are dispatched, 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, 2023 and 2022 are carried as undistributed commodities and program materials and deferred revenue, so no donor restricted net assets exist at September 30, 2023 or 2022 associated with donated goods. Unless specified in the grant agreements, CRS does not monetize donated goods without donor approval.

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.

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.

Bed nets are primarily procured via donations from The 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.

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.

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.

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

Notes to Consolidated Financial Statements (In Thousands)

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 pension plan 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 post-retirement health 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, 2023 and 2022, paid \$186 and \$215, respectively, for retirees' healthcare coverage. The expected contribution for the year ending September 30, 2024, is \$194.

Remainder of page intentionally left blank

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

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, 2023 and 2022:

	Pension Plan		Post-Retirement Health Plan	
	2023	2022	2023	2022
Change in projected benefit obligation:				
Benefit obligation at beginning of period	\$ 89,483	\$ 124,301	\$ 2,432	\$ 3,251
Service cost	121	118	-	-
Interest cost	4,719	3,535	124	80
Plan participant contributions	-	-	54	55
Benefits and administrative expenses paid	(3,467)	(3,175)	(240)	(270)
Actuarial gain	(4,511)	(35,295)	(203)	(684)
Benefit obligation at end of period	86,345	89,484	2,167	2,432
Change in plan assets:				
Fair value of plan assets at beginning of period	73,503	91,410	-	-
Actual return on plan assets	8,749	(15,781)	-	-
Employer contributions	1,200	1,050	186	215
Plan participant contributions	-	-	54	55
Benefits and administrative expenses paid	(3,467)	(3,175)	(240)	(270)
Fair value of plan assets at end of period	79,985	73,504	-	-
Funded status at end of year	\$ (6,360)	\$ (15,980)	\$ (2,167)	\$ (2,432)
Amounts recognized in consolidated statements of financial position	\$ (6,360)	\$ (15,980)	\$ (2,167)	\$ (2,432)
Cumulative amounts recognized in non-operating revenue and expenses:				
Net (gain) loss	\$ (2,545)	\$ 6,029	\$ (1,143)	\$ (999)
Accrued benefit cost	\$ (2,545)	\$ 6,029	\$ (1,143)	\$ (999)
Components of net periodic benefit cost:				
Service cost	\$ 121	\$ 118	\$ -	\$ -
Interest cost	4,719	3,535	124	80
Expected return on plan assets	(4,687)	(5,851)	-	-
Amortization of net loss (gain)	-	834	(59)	-
Total net periodic benefit cost	153	(1,364)	65	80
Other changes in plan assets and benefit obligations recognized in non-operating revenue:				
Net gain	(8,574)	(13,663)	(203)	(683)
Amortization of net (loss) gain	-	(834)	59	-
Total recognized in non-operating revenue	(8,574)	(14,497)	(144)	(683)
Total recognized in net periodic benefit cost and non-operating revenue	\$ (8,421)	\$ (15,861)	\$ (79)	\$ (603)
Weighted-average assumptions:				
Discount rate	5.88%	5.40%	5.79%	5.33%
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

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

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 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, 2023 and 2022, are as follows:

	2023		2022	
	Amount	Percent	Amount	Percent
U.S. equities	\$ 40,851	51%	\$ 37,188	50%
Fixed income	24,293	30%	21,857	30%
International equities	13,805	17%	12,405	17%
Cash equivalents	1,036	2%	2,054	3%
	\$ 79,985	100%	\$ 73,504	100%

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

Notes to Consolidated Financial Statements (In Thousands)

12. Retirement Plans (Continued)

Pension plan assets as of September 30, 2023 are invested as follows:

Description	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment component:				
Domestic equities:				
Domestic government securities	\$ 40,851	\$ 40,851	\$ -	\$ -
Corporate and Foreign bonds	16,942	-	16,942	-
	7,351	-	7,351	-
	<u>65,144</u>	<u>\$ 40,851</u>	<u>\$ 24,293</u>	<u>\$ -</u>
Investment pools (a):				
International equities	12,953			
Private equities	<u>852</u>			
Total investments	<u>\$ 78,949</u>			
Money market funds	\$ 1,036	\$ 1,036	\$ -	\$ -

(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.

Remainder of page intentionally left blank

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

Notes to Consolidated Financial Statements (In Thousands)

12. Retirement Plans (Continued)

Pension plan assets as of September 30, 2022 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:				
Domestic equities	\$ 37,188	\$ 37,188	\$ -	\$ -
Domestic government securities	15,805	-	15,805	-
Corporate and foreign bonds	6,052	-	6,052	-
	<u>59,045</u>	<u>\$ 37,188</u>	<u>\$ 21,857</u>	<u>\$ -</u>
Investment pools (a):				
International equities	11,352			
Private equities	<u>1,053</u>			
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.

Pension plan assets include investment pools which are measured at NAV. Information pertaining to these investments at September 30, 2023 and 2022, is as follows:

	2023	2022	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
International Equities (long-term value and growth fund)	\$ 12,953	\$ 11,352	\$ -	Monthly	10 days
Private equities	852	1,053	1,683	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.

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

Notes to Consolidated Financial Statements (In Thousands)

12. Retirement Plans (Continued)

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, 2024, 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:

2024	\$ 4,511
2025	4,725
2026	4,951
2027	4,948
2028	5,232
2029 - 2033	29,163

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:

2024	\$ 194
2025	196
2026	190
2027	190
2028	190
2029 - 2033	905

CRS also provides eligible U.S. employees a defined contribution plan, which qualifies under IRC Section 403(b). Under the defined contribution 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 readily marketable mutual funds chosen by the participant.

Effective January 1, 2014, the defined contribution plan receives 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 \$10,863 and \$10,313 to the defined contribution plan and equivalent plan for non-U.S. expatriate staff for the years ended September 30, 2023 and 2022, respectively.

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

Notes to Consolidated Financial Statements (In Thousands)

12. Retirement Plans (Continued)

Effective January 1, 2022, CRS established a nonqualified deferred compensation plan (nonqualified plan) to provide additional retirement savings for certain management employees. For the years ended September 30, 2023 and 2022, \$96 and \$55, respectively, was recognized as expense for this plan. The balance associated with the nonqualified plan was \$440 and \$157 for the years ended September 30, 2023 and 2022, respectively. Nonqualified 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 self-insured 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 \$11,277 and \$10,568 for the years ended September 30, 2023 and 2022, respectively.

14. Net Assets

Net assets at September 30, 2023 and 2022, are composed of the following:

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Without Donor Restrictions	With Donor Restrictions
Available for operations	\$ 64,864	\$ -	\$ 58,742	\$ -
Board-designated operating reserve	60,000	-	60,000	-
<i>Net assets with purpose restriction:</i>				
Private emergency funds	-	105,887	-	103,388
Agency strategy and other	-	20,655	-	27,823
<i>Net assets with time restriction:</i>				
Charitable trust and life insurance policy	-	15,097	-	12,926
Pooled income fund	-	997	-	902
Private emergency and other Purpose-restricted endowments	-	10,893	-	10,380
Time-restricted endowments	-	17,898	-	16,028
Third-party trust endowment assets not subject to UPMIFA	-	2,681	-	2,498
Total net assets	\$ 124,864	\$ 174,108	\$ 118,742	\$ 173,945

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

Notes to Consolidated Financial Statements (In Thousands)

14. Net Assets (Continued)

Net assets were released for the following purposes during the years ended September 30, 2023 and 2022:

	2023	2022
Program restricted purposes met	\$ 78,334	\$ 69,057
Time restricted purposes met	1,839	1,643
	\$ 80,173	\$ 70,700

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.

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.

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

Notes to Consolidated Financial Statements (In Thousands)

15. Endowments (Continued)

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. Deficiencies of this nature have been recorded as reductions in net assets with donor restrictions. Subsequent gains restore the fair value of the assets of the endowment to the required level. As of September 30, 2023 and 2022, funds with an original gift value of \$13,031 and fair value of \$11,815 and \$10,356, respectively, were deficient by \$1,216 and \$2,675, respectively. 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.

Endowment Net Assets with Donor Restrictions

<i>As of September 30,</i>	2023	2022
Purpose-restricted endowment funds	\$ 10,893	\$ 10,380
Time-restricted endowment funds	17,898	16,028
Total funds	\$ 28,791	\$ 26,408

The portion of endowment funds that is required to be retained permanently either by explicit donor stipulation or by UPMIFA was \$28,359 and \$28,341 as of September 30, 2023 and 2022, respectively.

Changes in Endowment Net Assets with Donor Restrictions

<i>Year ended September 30,</i>	2023	2022
Endowment net assets, beginning of the year	\$ 26,408	\$ 33,433
Net investment (loss) income	3,884	(7,049)
Contributions	19	2,004
Endowment draw to operating	(1,520)	(1,980)
Endowment net assets, end of the year	\$ 28,791	\$ 26,408

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, 2023, the remaining minimum commitment is \$9,650.

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.

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

Notes to Consolidated Financial Statements (In Thousands)

16. Commitments and Contingencies (Continued)

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, 2023 and 2022. 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.

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>	2023	2022
Financial assets due within one year:		
Cash and cash equivalents	\$ 119,573	\$ 120,542
Accounts receivable, net	204,382	147,340
Investments	160,473	182,605
Less those unavailable for general expenditures within one year:		
Advances received for programs	(183,572)	(172,559)
Restricted by donor with time or purpose restrictions	(126,542)	(131,211)
Donor-restricted endowments	(28,791)	(26,408)
Board designations:		
Board-designated operating reserve	(60,000)	(60,000)
Financial assets available to meet cash needs for general expenditures within one year	\$ 85,523	\$ 60,309

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.

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

Notes to Consolidated Financial Statements (In Thousands)

17. Liquidity and Availability of Financial Assets (Continued)

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.

18. Conditional Promises to Give

CRS has conditional promises (mainly conditional grants) to give from grantors and donors of \$1,001,684 as of September 30, 2023. Of the outstanding conditional promises to give from donors at September 30, 2023, \$741,067 was awarded by U.S. government donors to be spent through 2028 and \$260,617 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 \$262,512 as of September 30, 2023. Of the outstanding conditional promises to implementing partners, \$140,754 was awarded by U.S. government donors and \$121,758 was awarded by other donors as of September 30, 2023. Future payments are contingent upon the implementing partners carrying out certain activities (meeting donor-imposed barriers) stipulated by the grant or contract.