Catholic Relief Services – United States Conference of Catholic Bishops

Financial Report
September 30, 2015

Contents

Independent auditor’s report	1-2
Financial statements	
Statements of financial position	3
Statement of activities – 2015	4
Statement of activities – 2014	5
Statements of cash flows	6
Statement of functional expenses – 2015	7-8
Statement of functional expenses – 2014	9-10
Notes to financial statements	11-37

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Catholic Relief Services – United States Conference of Catholic Bishops, which comprise the statements of financial position as of September 30, 2015 and 2014, the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Catholic Relief Services – United States Conference of Catholic Bishops as of September 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2016, on our consideration of Catholic Relief Services – United States Conference of Catholic Bishops' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Catholic Relief Services – United States Conference of Catholic Bishops' internal control over financial reporting and compliance.

RSM US LLP

Gaithersburg, Maryland
March 10, 2016

Catholic Relief Services – United States Conference of Catholic Bishops

Statements of Financial Position
September 30, 2015 and 2014
(In Thousands)

	2015	2014
Assets		
Cash and cash equivalents	**$ 80,776**	$ 72,386
Accounts receivable and other assets	**96,794**	84,667
Investments	**179,299**	193,371
Segregated investments	**50,311**	54,547
Undistributed commodities and program materials	**37,641**	31,863
Land, building and equipment, net	**52,095**	50,260
Total Assets	**$ 496,916**	$ 487,094
Liabilities and Net Assets		
Liabilities		
Accounts payable, accrued expenses and other liabilities	**$ 64,887**	$ 67,636
Retirement plan liabilities	**30,309**	24,081
Advances received for programs	**83,363**	74,895
Deferred revenue – commodities	**33,510**	28,231
Annuities payable	**43,706**	38,689
Long-term debt, net of unamortized debt issuance costs	**26,840**	27,629
Total Liabilities	**282,615**	261,161
Net Assets		
Unrestricted	**101,867**	105,376
Temporarily restricted	**105,551**	113,807
Permanently restricted	**6,883**	6,750
Total Net Assets	**214,301**	225,933
Total Liabilities and Net Assets	**$ 496,916**	$ 487,094

See Notes to Financial Statements

Catholic Relief Services – United States Conference of Catholic Bishops

Statement of Activities
Year Ended September 30, 2015
(With Comparative Totals for 2014)
(In Thousands)

	2015				
	Unrestricted	**Temporarily Restricted**	**Permanently Restricted**	**Total**	2014
Operating Revenue					
Private revenue:					
Catholic Relief Services Collection	**$ 12,594**	**$ -**	**$ -**	**$ 12,594**	$ 14,621
Catholic Relief Services Rice Bowl	**-**	**9,083**	**-**	**9,083**	7,922
Private contributions	**87,582**	**55,261**	**333**	**143,176**	169,387
Foundation and other private grants	**49,097**	**-**	**-**	**49,097**	40,196
Bequests	**42,302**	**500**	**-**	**42,802**	21,599
Private in-kind gifts	**2,277**	**-**	**-**	**2,277**	2,820
Total private revenue	**193,852**	**64,844**	**333**	**259,029**	256,545
Public revenue:					
Donated agricultural, other commodities and ocean freight	**96,705**	**-**	**-**	**96,705**	102,027
United States government grants and agreements	**262,861**	**-**	**-**	**262,861**	226,179
Other public grants and contributions	**99,331**	**53**	**-**	**99,384**	83,706
Public in-kind gifts	**18,993**	**-**	**-**	**18,993**	11,974
Total public revenue	**477,890**	**53**	**-**	**477,943**	423,886
Investment and other income	**453**	**1,220**	**-**	**1,673**	3,364
Net assets released from restrictions	**72,876**	**(72,876)**	**-**	**-**	-
Total operating revenue	**745,071**	**(6,759)**	**333**	**738,645**	683,795
Operating Expenses					
Program services	**678,584**	**-**	**-**	**678,584**	599,279
Supporting services:					
Management and general	**24,122**	**-**	**-**	**24,122**	22,334
Public awareness	**8,308**	**-**	**-**	**8,308**	8,024
Fundraising	**22,299**	**-**	**-**	**22,299**	21,659
Total supporting services	**54,729**	**-**	**-**	**54,729**	52,017
Total operating expenses	**733,313**	**-**	**-**	**733,313**	651,296
Change in net assets from operations	**11,758**	**(6,759)**	**333**	**5,332**	32,499
Non-Operating Revenue and Expenses					
Net change in annuities, trusts and pooled income fund	**(3,031)**	**(606)**	**(200)**	**(3,837)**	3,691
Realized and unrealized gain (loss) on investments and financial instruments	**(4,525)**	**(891)**	**-**	**(5,416)**	11,078
Defined benefit plan adjustments	**(7,711)**	**-**	**-**	**(7,711)**	(1,384)
Asset impairment	**-**	**-**	**-**	**-**	(4,199)
Total non-operating revenue and expenses, net	**(15,267)**	**(1,497)**	**(200)**	**(16,964)**	9,186
Change in net assets	**(3,509)**	**(8,256)**	**133**	**(11,632)**	41,685
Net Assets					
Beginning of year	**105,376**	**113,807**	**6,750**	**225,933**	184,248
End of year	**$ 101,867**	**$ 105,551**	**$ 6,883**	**$ 214,301**	$ 225,933

See Notes to Financial Statements

Catholic Relief Services – United States Conference of Catholic Bishops

Statement of Activities
Year Ended September 30, 2014
(In Thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Operating Revenue				
Private revenue:				
Catholic Relief Services Collection	$ 14,621	$ -	$ -	$ 14,621
Catholic Relief Services Rice Bowl	-	7,922	-	7,922
Private contributions	84,838	84,295	254	169,387
Foundation and other private grants	40,196	-	-	40,196
Bequests	21,449	150	-	21,599
Private in-kind gifts	2,820	-	-	2,820
Total private revenue	163,924	92,367	254	256,545
Public revenue:				
Donated agricultural, other commodities and ocean freight	102,027	-	-	102,027
United States government grants and agreements	226,179	-	-	226,179
Other public grants and contributions	83,642	64	-	83,706
Public in-kind gifts	11,974	-	-	11,974
Total public revenue	423,822	64	-	423,886
Investment and other income	2,115	1,249	-	3,364
Net assets released from restrictions	70,249	(70,249)	-	-
Total operating revenue	660,110	23,431	254	683,795
Operating Expenses				
Program services	599,279	-	-	599,279
Supporting services:				
Management and general	22,334	-	-	22,334
Public awareness	8,024	-	-	8,024
Fundraising	21,659	-	-	21,659
Total supporting services	52,017	-	-	52,017
Total operating expenses	651,296	-	-	651,296
Change in net assets from operations	8,814	23,431	254	32,499
Non-Operating Revenue and Expenses				
Net change in annuities, trusts and pooled income fund	3,124	529	38	3,691
Realized and unrealized gain (loss) on investments and financial instruments	11,258	(180)	-	11,078
Defined benefit plan adjustments	(1,384)	-	-	(1,384)
Asset impairment	(4,199)	-	-	(4,199)
Total non-operating revenue and expenses, net	8,799	349	38	9,186
Change in net assets	17,613	23,780	292	41,685
Net Assets				
Beginning of year	87,763	90,027	6,458	184,248
End of year	$ 105,376	$ 113,807	$ 6,750	$ 225,933

See Notes to Financial Statements

Catholic Relief Services – United States Conference of Catholic Bishops

Statements of Cash Flows
Years Ended September 30, 2015 and 2014
(In Thousands)

	2015	2014
Cash Flows From Operating Activities		
Change in net assets	$ (11,632)	$ 41,685
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and other non-cash items	7,896	6,833
Loss on disposal and impairment of building and equipment	253	3,555
Realized gain on sales of investments	(5,386)	(5,270)
Unrealized loss (gain) on investments and financial instruments	10,802	(5,808)
Contributions restricted for long-term investment	(333)	(254)
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable and other assets	(12,127)	(16,918)
Undistributed commodities and program materials	(5,778)	4,670
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses and other liabilities	(3,892)	2,965
Retirement plan liabilities	6,228	(2,559)
Advances received for programs	8,468	(9,558)
Deferred revenue – commodities	5,279	(6,638)
Annuities payable	5,017	1,787
Net cash provided by operating activities	4,795	14,490
Cash Flows From Investing Activities		
Proceeds from sale of land, building and equipment	556	541
Purchase of land, building and equipment	(10,535)	(11,087)
Proceeds from sales and maturities of investments	348,318	267,339
Purchase of investments	(334,283)	(291,181)
Net cash provided by (used in) investing activities	4,056	(34,388)
Cash Flows From Financing Activities		
Principal payments and liquidations of long-term debt	(794)	(756)
Contributions restricted for long-term investment	333	254
Net cash used in financing activities	(461)	(502)
Net increase (decrease) in cash and cash equivalents	8,390	(20,400)
Cash and Cash Equivalents		
Beginning of year	72,386	92,786
End of year	$ 80,776	$ 72,386
Supplemental Disclosure of Cash Flow Information		
Cash payments for interest	$ 780	$ 827

See Notes to Financial Statements

Catholic Relief Services – United States Conference of Catholic Bishops

Statement of Functional Expenses
Year Ended September 30, 2015
(With Comparative Totals for 2014)
(In Thousands)

Description	2015 Program Services										
	Agriculture	Water and Sanitation	Education	Emergency	Small Enterprise	Health	HIV and AIDS	Peace and Justice	Welfare	Total	2014
Program Services											
Salaries and related benefits	$ 47,060	$ 4,204	$ 17,097	$ 47,485	$ 1,633	$ 24,608	$ 10,015	$ 9,935	$ 1,118	$ 163,155	$ 151,843
Contracting and professional fees	7,708	365	2,934	8,807	253	3,232	927	1,683	140	26,049	27,166
Telecommunications and postage	1,903	99	511	1,816	22	1,032	256	408	35	6,082	5,720
Printing, supplies, office and miscellaneous expenses	1,800	108	517	2,739	37	822	472	412	38	6,945	5,836
Occupancy	3,579	383	1,718	2,569	188	2,025	541	911	44	11,958	10,505
Vehicle and equipment	5,431	457	1,751	5,414	201	5,096	695	845	225	20,115	14,656
Travel, training and representation	9,570	909	5,001	9,831	671	9,573	3,013	2,707	223	41,498	33,637
Warehousing and freight	19,051	20	4,539	15,871	-	3,609	5	30	3,003	46,128	37,980
Publicity	10	22	3	59	-	2	-	-	-	96	46
Subgrants to implementing partners	35,991	2,924	14,403	57,709	1,849	25,691	18,761	11,100	1,537	169,965	167,888
Project labor and materials	9,526	1,238	7,777	61,736	188	3,811	813	3,096	92	88,277	53,916
Food, other commodities and in-kind contributions	6,855	1	5,983	52,647	-	21,846	53	-	5,702	93,087	86,121
Depreciation	3,595	-	308	365	-	164	476	311	10	5,229	3,965
Total expenses	$ 152,079	$ 10,730	$ 62,542	$ 267,048	$ 5,042	$ 101,511	$ 36,027	$ 31,438	$ 12,167	$ 678,584	$ 599,279

(Continued)

Catholic Relief Services – United States Conference of Catholic Bishops

Statement of Functional Expenses (Continued)
Year Ended September 30, 2015
(With Comparative Totals for 2014)
(In Thousands)

	2015 Supporting Services					Total Operating Expenses	
Description	Management and General	Public Awareness	Fundraising	Total	2014	2015	2014
Supporting Services							
Salaries and related benefits	$ 13,899	$ 3,757	$ 7,547	$ 25,203	$ 23,766	$ 188,358	$ 175,609
Contracting and professional fees	4,689	1,670	3,266	9,625	7,680	35,674	34,846
Telecommunications and postage	372	36	4,417	4,825	4,640	10,907	10,360
Printing, supplies, office and miscellaneous expenses	552	189	5,678	6,419	6,514	13,364	12,350
Occupancy	180	227	432	839	901	12,797	11,406
Vehicle and equipment	125	77	40	242	257	20,357	14,913
Travel, training and representation	1,530	218	576	2,324	2,062	43,822	35,699
Warehousing and freight	-	-	17	17	6	46,145	37,986
Publicity	-	574	326	900	938	996	984
Subgrants to implementing partners	21	10	-	31	59	169,996	167,947
Project labor and materials	-	6	-	6	1	88,283	53,917
Food, other commodities and in-kind contributions	134	1,502	-	1,636	2,330	94,723	88,451
Depreciation	2,620	42	-	2,662	2,863	7,891	6,828
Total expenses	$ 24,122	$ 8,308	$ 22,299	$ 54,729	$ 52,017	$ 733,313	$ 651,296

See Notes to Financial Statements

Catholic Relief Services – United States Conference of Catholic Bishops

Statement of Functional Expenses
Year Ended September 30, 2014
(In Thousands)

	Program Services									
Description	Agriculture	Water and Sanitation	Education	Emergency	Small Enterprise	Health	HIV and AIDS	Peace and Justice	Welfare	Total
Program Services										
Salaries and related benefits	$ 48,248	$ 5,601	$ 15,826	$ 38,652	$ 2,376	$ 17,816	$ 11,852	$ 10,050	$ 1,422	$ 151,843
Contracting and professional fees	7,047	316	1,569	13,420	183	2,601	532	1,403	95	27,166
Telecommunications and postage	2,396	122	616	1,207	21	571	406	322	59	5,720
Printing, supplies, office and miscellaneous expenses	1,718	171	679	1,727	42	660	401	409	29	5,836
Occupancy	2,178	598	1,458	2,578	207	1,533	894	958	101	10,505
Vehicle and equipment	3,397	1,086	1,170	5,178	242	1,905	689	872	117	14,656
Travel, training and representation	9,636	1,155	3,843	7,081	620	5,509	3,084	2,369	340	33,637
Warehousing and freight	11,604	509	5,377	18,371	-	1,300	-	9	810	37,980
Publicity	6	-	2	37	-	1	-	-	-	46
Subgrants to implementing partners	42,208	1,783	12,157	61,900	1,601	16,082	19,480	11,255	1,422	167,888
Project labor and materials	7,363	1,883	8,612	29,168	78	3,008	695	3,094	15	53,916
Food, other commodities and in-kind contributions	8,470	1,335	5,450	50,609	-	17,547	754	56	1,900	86,121
Depreciation	2,175	-	353	184	155	349	731	-	18	3,965
Total expenses	$ 146,446	$ 14,559	$ 57,112	$ 230,112	$ 5,525	$ 68,882	$ 39,518	$ 30,797	$ 6,328	$ 599,279

(Continued)

Catholic Relief Services – United States Conference of Catholic Bishops

Statement of Functional Expenses (Continued)
Year Ended September 30, 2014
(In Thousands)

	Supporting Services				
Description	Management and General	Public Awareness	Fundraising	Total Supporting Services	Total Operating Expenses
Supporting Services					
Salaries and related benefits	$ 13,262	$ 3,405	$ 7,099	$ 23,766	$ 175,609
Contracting and professional fees	3,207	956	3,517	7,680	34,846
Telecommunications and postage	386	33	4,221	4,640	10,360
Printing, supplies, office and miscellaneous expenses	693	169	5,652	6,514	12,350
Occupancy	194	282	425	901	11,406
Vehicle and equipment	137	49	71	257	14,913
Travel, training and representation	1,369	190	503	2,062	35,699
Warehousing and freight	-	-	6	6	37,986
Publicity	-	773	165	938	984
Subgrants to implementing partners	59	-	-	59	167,947
Project labor and materials	-	1	-	1	53,917
Food, other commodities and in-kind contributions	184	2,146	-	2,330	88,451
Depreciation	2,843	20	-	2,863	6,828
Total expenses	$ 22,334	$ 8,024	$ 21,659	$ 52,017	$ 651,296

See Notes To Financial Statements

Note 1. Organization and Operations

Nature of activities: Catholic Relief Services – United States Conference of Catholic Bishops (CRS) was founded in 1943 and is the international humanitarian aid and development agency of the United States Conference of Catholic Bishops (USCCB). CRS is governed by a board composed of twelve U.S. Bishops elected from the USCCB, the General Secretary of the Conference and nine lay members. Headquartered in Baltimore, Maryland, CRS provides services in 101 countries through 73 offices around the world.

CRS is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and is an organization listed in the 2015 edition of the Official Catholic Directory.

Catholic Relief Services Foundation, Inc. (the Foundation) is a controlled affiliate which conducts certain fundraising activities on behalf of CRS. The Chairman and President of CRS serve, along with other elected individuals, as members of the board of the Foundation. There was no financial activity within the Foundation for the years ended September 30, 2015 and 2014.

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

- Promote human development by responding to major emergencies, fighting disease and poverty, and nurturing peaceful and just societies.

- Serve Catholics in the United States as they live their faith in solidarity with their brothers and sisters around the world.

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

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

Agriculture: programs covering a wide range of agricultural and natural resource activities, including crop, tree and livestock production, soil and water conservation, irrigation, weed, disease and pest control, crop processing and storage, crop and livestock business planning, value chain development and marketing and integration with micro-finance and nutrition.

Water and Sanitation: programs primarily focusing on water, sanitation and hygiene services for health and well-being; improved management of water for agricultural productivity; and water and environmental activities that contribute to sustainability of natural resources.

Education: programs intended to improve access to and delivery of basic literacy, numeracy and other life skills through both formal and non-formal education systems, and to enhance educational achievement, especially for the most marginalized children and youth.

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

Note 1. Organization and Operations (Continued)

Small enterprise: programs to develop community-led and managed savings and lending services; linkages to additional financial (micro insurance) and non-financial (financial education and agricultural extension) services for the poor who have limited or no access to capital in the formal financial markets.

Health: programs targeted toward problem recognition, evaluation and intervention to reduce morbidity and mortality among populations living in poverty.

HIV and AIDS: programs that assist the poor and vulnerable living with or affected by HIV through care and support, access to basic services, awareness and prevention, treatment of opportunistic infections and provision of anti-retroviral therapy, prolonging the lives of many, and enabling all participants to live in dignity.

Peace and justice: programs that seek to prevent, mitigate or resolve conflict and promote right relationships by strengthening state and civil society institutions, including the Church, to address gender inequality and gender-based violence, extractives, trafficking, youth, civic engagement and inter-faith cooperation.

Welfare: programs that provide a safety net to respond to the urgent and unmet needs of the poorest of society, including the provision of food and complementary assistance, enabling participants to reach their full human potential.

Note 2. Summary of Significant Accounting Policies

Basis of accounting: The financial statements include the results of CRS's worldwide operations. Revenue and expenses related to gift annuities, pooled income, charitable trusts, realized and unrealized gains and losses on investments and defined benefit plan adjustments are classified as non-operating activities.

Use of estimates: The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Designation of revenue: Support from the U.S. or foreign governments and from international organizations such as the United Nations, The Global Fund and The World Bank, is classified under public revenue. Revenue from individuals, parishes and dioceses, as well as non-governmental organizations, foundations and corporations is classified under private revenue.

Classification of net assets: Net assets, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of CRS and changes therein are classified and recorded as follows:

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

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

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

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

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

Program receivables represent funds expended and recognized as revenue, but not yet received, on donor agreements for exchange transactions (grants).

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 percent for 2015 and 2014.

CRS is also 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.

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

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

In determining fair value, CRS utilizes valuations provided by the investments' fund managers. The managers value 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 investment. However, the estimated fair values of the assets underlying this investment may include securities for which prices are not readily available and are determined by the fund managers 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 managers' valuations when circumstances support such an adjustment.

Note 2. Summary of Significant Accounting Policies (Continued)

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

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

Annuities payable: Annuities payable represent the actuarial present value of amounts due under annuity agreements paid over various periods, generally the life of the donor. Present value is calculated using the Annuity 2014 Mortality table with no adjustments, assuming interest rates of 3.5 percent to 6 percent compounded annually, and no provision for a surplus or contingency reserve. The interest rate is determined by the year of contribution and the guaranteed duration period, 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 financial statements.

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

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

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

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

Valuation of long-lived assets: CRS requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the assets to future undiscounted net cash flows expected to be generated by the assets. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying value of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

Note 2. Summary of Significant Accounting Policies (Continued)

Contributions: 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 unrestricted net assets unless their use is limited by time or donor imposed restrictions.

Donated agricultural commodities and other in-kind gifts: CRS receives agricultural and other commodities at no cost from the United States Agency for International Development (USAID), the United States Department of Agriculture (USDA), the United Nations World Food Programme and others for distribution under agreements related to specific relief programs. Commodities that have not been distributed at September 30, 2015 and 2014, are carried as undistributed commodities and deferred revenue.

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

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

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

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

Joint costs: Expenses related to the Catholic Relief Services Rice Bowl program jointly support fundraising and educational and other programming. These expenses totaled $1,544,000 and $1,418,000 for the years ended September 30, 2015 and 2014, respectively. Expenses were allocated 23 percent to fundraising and 77 percent to program services for fiscal year 2015, and 24 percent to fundraising and 76 percent to program services for fiscal year 2014.

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.

Note 2. Summary of Significant Accounting Policies (Continued)

Income taxes: CRS is generally exempt from federal income taxes under IRC §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, 2015 and 2014, 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 financial statements. Under this policy, CRS may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position would be sustained on examination by taxing authorities, based on the technical merits of the position.

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

Subsequent events: CRS has established a general standard of accounting for the disclosure of events that occur after the statement of financial position date through the date the financial statements are issued. CRS evaluated subsequent events through March 10, 2016, which is the date the financial statements were issued.

Reclassification: Certain of the 2014 comparative amounts were reclassified to conform to the 2015 presentation. These reclassifications had no effect on the previously reported change in net assets.

Recent accounting pronouncements: Certain accounting pronouncements have recently been issued by the Financial Accounting Standards Board (FASB).

Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, issued in April 2015, requires debt issuance costs to be reflected as a direct reduction of the related debt liability. As a result, unamortized bond issue costs are included as a reduction of long-term debt on the statements of financial position. This ASU is effective for CRS' fiscal year ending September 30, 2017, but as early adoption is permitted, it is being adopted for the fiscal year ended September 30, 2015.

In May 2015, the FASB issued ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities That Calculate Net Asset Value Per Share (or Its Equivalent)* which reduces some of the detailed requirements of Fair Value disclosures. This change in disclosure will be effective for CRS' fiscal year ending September 30, 2017 and, while early adoption is permitted, CRS has elected not to do so.

Note 3. Concentration of Credit Risk

Cash and cash equivalents include demand deposits which are maintained at various financial institutions in the United States and foreign countries. The total deposits at institutions in the United States exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. Deposits held at institutions outside of the United States are not subject to insurance. At September 30, 2015 and 2014, $81,709,000 and $70,660,000, respectively, of deposits were in excess of FDIC insurance including $24,925,000 and $32,246,000, respectively, held in numerous financial institutions outside of the United States. Short-term operating investments of $206,000 and $1,720,000, respectively, were also held in numerous financial institutions outside of the United States at September 30, 2015 and 2014.

Note 3. Concentration of Credit Risk (Continued)

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

Note 4. Accounts Receivable and Other Assets

At September 30, 2015 and 2014, accounts receivable and other assets consist of the following (in thousands):

	2015	2014
Program receivables	$ 47,784	$ 49,381
CRS Collection receivable	3,969	3,983
Bequest and other contributions receivable	14,468	3,011
Charitable trust and life insurance policy receivables	10,540	9,542
Trade receivables	5,533	4,127
Micro-finance loans receivable	1,051	1,200
Total accounts receivable	83,345	71,244
Less allowance for doubtful accounts	(1,633)	(1,754)
Total accounts receivable, net	81,712	69,490
Prepaid expenses	12,540	12,487
Other assets	2,542	2,690
Total accounts receivable and other assets	$ 96,794	$ 84,667

Note 5. Investments and Fair Value Measurements

CRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and within a fair value hierarchy. The fair value hierarchy gives the highest rank to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest rank to unobservable inputs (Level 3). Inputs are broadly defined as data that market participants would use in pricing an asset or liability. Three levels of the hierarchy are used to determine fair value for 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 generally included in this category include corporate loans, less liquid, restricted equity securities and certain corporate bonds, U.S. government bonds and notes and over-the-counter derivatives.

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

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

Level 3: Charitable trusts are stated at fair value, using present value calculations of the trusts discounted at a rate of 6.5 percent for 2015. 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, 2015, including securities detailed in the fair value disclosure, is as follows (in thousands):

	2015	
Non-segregated investments		$ 179,299
Segregated gift annuities	$ 48,804	
Segregated pooled income fund	1,507	
Total segregated investments		50,311
Total investments		229,610
Accrued interest		(780)
Cash equivalents from segregated investments		(1,698)
Investments included in fair value disclosure		$ 227,132

Note 5. Investments and Fair Value Measurements (Continued)

The following table presents CRS's fair value hierarchy for those assets reflected in the statements of financial position, measured at fair value on a recurring basis as of September 30, 2015 (in thousands):

		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
U.S. equities:				
Materials	$ 1,824	$ 1,824	$ -	$ -
Industrials	6,695	6,695	-	-
Telecommunications	1,654	1,654	-	-
Consumer discretionary	10,387	10,387	-	-
Consumer staples	7,662	7,662	-	-
Energy	5,033	5,033	-	-
Financials	14,445	14,445	-	-
Health care	9,359	9,359	-	-
Information technology	13,928	13,928	-	-
Utilities	2,835	2,835	-	-
Other equities	128	128	-	-
International equities	17,226	-	17,226	-
Fixed income securities:				
U.S. treasury obligations	44,241	-	44,241	-
U.S. government agency bonds	29,641	-	29,641	-
Mortgage backed securities	9,620	-	9,620	-
Asset backed securities	12,034	-	12,034	-
Corporate, foreign and other obligations	40,214	-	40,214	-
Other types of securities:				
Overseas investments	206	-	206	-
Total investments	$ 227,132	$ 73,950	$ 153,182	$ -
Charitable trusts	$ 9,758	$ -	$ -	$ 9,758
Money market funds	$ 25,917	$ 25,917	$ -	$ -
Financial liabilities				
Interest rate swap contracts	$ (4,971)	$ -	$ (4,971)	$ -

Note 5. Investments and Fair Value Measurements (Continued)

The overall total of investments held at September 30, 2014, including securities detailed in the fair value disclosure, is as follows (in thousands):

	2014	
Non-segregated investments		$ 193,371
Segregated gift annuities	$ 52,857	
Segregated pooled income fund	1,690	
Total segregated investments		54,547
Total investments		247,918
Accrued interest		(542)
Cash equivalents from segregated investments		(2,853)
Investments included in fair value disclosure		$ 244,523

Note 5. Investments and Fair Value Measurements (Continued)

The following table presents CRS's fair value hierarchy for those assets reflected in the statements of financial position, measured at fair value on a recurring basis as of September 30, 2014 (in thousands):

		Fair Value Measurements Using		
Description	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets				
U.S. equities:				
Materials	$ 2,654	$ 2,654	$ -	$ -
Industrials	7,740	7,740	-	-
Telecommunications	1,908	1,908	-	-
Consumer discretionary	10,369	10,369	-	-
Consumer staples	7,995	7,995	-	-
Energy	8,112	8,112	-	-
Financials	15,601	15,601	-	-
Health care	9,865	9,865	-	-
Information technology	14,822	14,822	-	-
Utilities	2,992	2,992	-	-
Other equities	166	166	-	-
International equities	15,549	-	15,549	-
Fixed income securities:				
U.S. treasury obligations	47,713	-	47,713	-
U.S. government agency bonds	29,015	-	29,015	-
Mortgage backed securities	12,919	-	12,919	-
Asset backed securities	13,279	-	13,279	-
Corporate, foreign and other obligations	42,104	-	42,104	-
Other types of securities:				
Overseas investments	1,720	-	1,720	-
Total investments	$ 244,523	$ 82,224	$ 162,299	$ -
Charitable trusts	$ 8,762	$ -	$ -	$ 8,762
Money market funds	$ 33,191	$ 33,191	$ -	$ -
Financial liabilities				
Interest rate swap contracts	$ (3,827)	$ -	$ (3,827)	$ -

For the years ended September 30, 2015 and 2014, the fair value hierarchy above includes money market funds of $25,917,000 and $33,191,000, respectively, which are included as cash equivalents on the statements of financial position. Cash and accrued interest are excluded from the fair value hierarchy as cash is generally measured at cost.

Note 5. Investments and Fair Value Measurements (Continued)

For the period from October 1, 2013, through September 30, 2015, the application of the valuation techniques has been consistent for CRS' held investments. The valuation technique for charitable trust assets held by others has been revised to conform to the modifications of ASU No. 2011-04, *Fair Value Measurement* (Topic 820). Changes in Level 3 assets for the years ended September 30, 2015 and 2014, were as follows (in thousands):

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Charitable Trusts	
	2015	2014
Beginning balance, October 1,	$ 8,762	$ 5,597
Contributions	2,345	3,143
Distributions	(497)	(688)
Change in valuation	(852)	710
Ending balance, September 30,	$ 9,758	$ 8,762

CRS investments include investment pools. Information pertaining to these investments at September 30, 2015, is as follows (in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International equities (Long-term value and growth fund)	$ 17,226	$ -	Monthly	10 days

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

Note 6. Segregated Investments

CRS is required under various statutory regulations to segregate a certain level of appropriate investments to support its charitable gift annuity program. In addition, CRS sponsors a pooled income fund wherein the fund's earnings are distributed to participants until their death at which time the assets become available to CRS.

During the years ended September 30, 2015 and 2014, CRS received $4,400,000 and $7,383,000, respectively, of new charitable gift annuities and pooled income fund contributions, earned net investment income of $1,167,000 and $1,141,000, respectively, and made contractual annuity payments of $4,742,000 and $4,549,000, respectively.

Note 6. Segregated Investments (Continued)

During the years ended September 30, 2015 and 2014, the pooled income fund made earnings distributions to participants of $233,000 and $99,000, respectively.

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

Note 7. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into U.S. dollars at exchange rates in effect on reporting dates, and revenue and expenses are translated at rates in effect on transaction dates. Translation gains and losses are included in current results. Total foreign currency translation losses of $1,676,000 and gains of $1,509,000 for the years ended September 30, 2015 and 2014, respectively, are included in miscellaneous expense and investment income.

Note 8. Land, Building and Equipment

Land, building and equipment, at cost, at September 30, 2015 and 2014, are summarized as follows (in thousands):

	2015	2014
Land	$ 422	$ 422
Building and improvements	38,783	38,386
Furniture and equipment	71,402	70,543
	110,607	109,351
Less accumulated depreciation	(58,512)	(59,091)
	$ 52,095	$ 50,260

Land, building and equipment includes restricted and grant assets of $4,861,000 and $5,078,000 at September 30, 2015 and 2014, respectively. Of these assets, $3,076,000 and $3,062,000 at September 30, 2015 and 2014, respectively, are restricted in compliance with federal program grant agreements as to use, resale and maintenance.

During the year ended September 30, 2014, CRS recorded a charge of $4,199,000 related to capitalized software development that exceed their usable value to CRS and therefore were determined to be impaired. This asset impairment is included in non-operating revenue and expenses in the statement of activities.

CRS entered into a capital lease agreement for its headquarters building in Baltimore, Maryland in 2006. The lease is for an initial term of 30 years ending in 2036, with three 5-year renewal options. The minimum lease payment under this agreement of $13,465,000 was paid in full on the rent commencement date. Minimum rent for the renewal periods will be determined on the basis of 90 percent of the then fair market rental for the first renewal year, with subsequent years' rent increasing based on the Consumer Price Index.

Land, building and equipment at September 30, 2015, includes $25,073,000 for leasehold improvements, capitalized lease and other leasehold costs expended, including capitalized interest of $1,232,000 for the headquarters.

Note 8. Land, Building and Equipment (Continued)

CRS has operating lease commitments for its offices maintained throughout the world. These leases are generally renewable on an annual basis. CRS has also entered into operating leases in the United States for office space for periods ranging from three to five years for its U.S. Operations. Rental expenses for the years ended September 30, 2015 and 2014, were $4,042,000 and $3,860,000, respectively.

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

Years Ending September 30,		
2016	$	234
2017		178
2018		126
2019		36
2020		31
2021		16
	$	621

Note 9. Long-Term Debt

Long-term debt at September 30, 2015, consisted of the following (in thousands):

	Principal	Unamortized Debt Issuance Costs	Net
Term-loan, due 2016	$ 7,446	$ -	$ 7,446
Tax-exempt variable rate demand bonds	19,555	161	19,394
Total	$ 27,001	$ 161	$ 26,840

Long-term debt at September 30, 2014, consisted of the following (in thousands):

	Principal	Unamortized Debt Issuance Costs	Net
Term-loan, due 2016	$ 8,240	$ -	$ 8,240
Tax-exempt variable rate demand bonds	19,555	166	19,389
Total	$ 27,795	$ 166	$ 27,629

To finance the capital lease obligation for its headquarters building, CRS has an outstanding term loan with Bank of America with balances in the amounts of $7,446,000 and $8,240,000 at September 30, 2015 and 2014, respectively. The loan matures on May 1, 2016. Interest accrues, and is payable monthly, at a rate based on the one-month London Interbank Offered Rate (LIBOR) plus .30 percent per year (0.49 percent and 0.46 percent at September 30, 2015 and 2014, respectively).

Note 9. Long-Term Debt (Continued)

CRS has issued tax-exempt variable rate demand bonds in the amount of $19,555,000 in connection with renovations of the headquarters space. The bonds bear interest at a floating rate as determined by the bond remarketing agent based upon market conditions, unless converted to a fixed rate at the election of the borrower. Principal payments on the bonds begin in May 2023 and continue until final maturity in May 2036. A credit enhancement provided by Bank of America was used to obtain a credit rating on the bonds at issuance on May 18, 2006, of Aa1/VMIG 1. This rating has been revised several times, and, as of September 30, 2015, was A1/VMIG 1.

The bond agreement contains certain financial and non-financial covenants, which were met for the years ended September 30, 2015 and 2014.

The bonds are collateralized by an irrevocable letter of credit in the amount of $19,742,514. The letter of credit was extended until June 15, 2016.

CRS entered into interest rate swap agreements to reduce the impact of interest rate changes on its floating rate term loan and tax-exempt bonds. One swap agreement has a notional principal amount at September 30, 2015, of $19,000 of the taxable term loan, at a fixed rate of 4.96 percent, through October 2015. A second agreement was executed with a notional principal in the amount of $19,145,000 for the tax-exempt variable rate demand bonds. The contract is based on an issue rate of 67 percent of LIBOR, and fixes the interest rate at 3.40 percent, through May 1, 2036.

The value of the swap instruments as of September 30, 2015 and 2014, and the change in value is reflected as follows (in thousands):

	2015	2014
Beginning liability balance, October 1	$ 3,827	$ 3,305
Unrealized loss	1,144	522
Ending liability balance, September 30	$ 4,971	$ 3,827

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

As noted in Note 8, interest due on the term loan and the bonds in connection with the headquarters building was capitalized while the space was under renovation and unoccupied.

Note 9. Long-Term Debt (Continued)

Future annual maturities on long-term debt as of September 30, 2015, are as follows (in thousands):

Years Ending September 30,		
2016	$	834
2017		878
2018		921
2019		968
2020		1,017
2021 – 2036		22,383
	$	27,001

Note 10. Commodities and Other in-Kind Contributions

Commodities and other in-kind contributions received in the years ended September 30, 2015 and 2014, consist of the following (in thousands):

		2015		2014
Agricultural commodities donated by USAID and USDA	$	48,053	$	60,625
Commodities provided by the UN and other donors		14,932		11,251
Ocean freight provided by donors		33,720		30,151
Total commodities and ocean freight	$	96,705	$	102,027
Medical supplies and other tangible assets	$	19,634	$	12,464
Donated services		1,636		2,330
Total other in-kind contributions	$	21,270	$	14,794

Note 11. Investment Earnings

The components of return on investments described in Note 5, as well as earnings on micro-finance lending, cash equivalents and segregated investments for the years ended September 30, 2015 and 2014, are as follows (in thousands):

		2015		2014
Dividends and interest	$	2,501	$	2,952
Realized gain on investments		5,386		5,270
Unrealized (loss) gain on investments		(9,658)		6,330
Investment management fees		(1,005)		(854)
	$	(2,776)	$	13,698

Note 12. Retirement Plans

CRS has a non-contributory defined benefit pension plan covering all lay employees who have completed one year of service and attained the age of 21. The benefits are based on years of service and the employee's highest average compensation during five consecutive years of the last ten years of service. A minimum of five years of service is required to attain a plan benefit. 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 20 years of service. Effective December 31, 2013, the plan was modified to exclude benefit contribution subsidies for any future qualifying participants. CRS funds retiree healthcare premiums on a cash basis, and for the years ended September 30, 2015 and 2014, paid $165,000 and $171,000, respectively for retirees' healthcare coverage. The expected contribution for the year ending September 30, 2016, is $238,000.

Note 12. Retirement Plans (Continued)

The following schedule sets forth the funded status, components of net periodic benefit cost and weighted-average assumptions of the plans for the years ended September 30, 2015 and 2014 (dollars in thousands):

	Pension Benefits		Post-Retirement Health	
	2015	2014	2015	2014
Change in projected benefit obligation				
Benefit obligation at beginning of period	$ 79,234	$ 73,294	$ 3,859	$ 3,616
Service cost	-	1,491	-	-
Interest cost	3,293	3,411	149	156
Actuarial loss/(gain)	3,223	3,406	253	(68)
Plan participant contributions	-	-	55	49
Special termination benefits	-	-	-	326
Benefits and administrative expenses paid	(1,832)	(2,368)	(220)	(220)
Benefit obligation at end of period	$ 83,918	$ 79,234	$ 4,096	$ 3,859
Change in plan assets				
Fair value of plan assets at beginning of period	$ 59,012	$ 50,270	$ -	$ -
Actual return on plan assets	(475)	5,385	-	-
Employer contributions	1,000	5,725	165	171
Plan participant contributions	-	-	55	49
Benefits and administrative expenses paid	(1,832)	(2,368)	(220)	(220)
Fair value of plan assets at end of period	57,705	59,012	-	-
Funded status at end of year	$ (26,213)	$ (20,222)	$ (4,096)	$ (3,859)
Amounts recognized in statement of financial position	$ (26,213)	$ (20,222)	$ (4,096)	$ (3,859)
Amounts recognized in non-operating revenue and expenses				
Net loss/(gain)	$ 8,810	$ 1,352	$ 13	$ (240)
Accrued benefit cost	$ 8,810	$ 1,352	$ 13	$ (240)
Components of net periodic benefit cost				
Service cost	$ -	$ 1,491	$ -	$ -
Interest cost	3,293	3,411	149	156
Expected return on plan assets	(3,760)	(3,431)	-	-
Special termination benefits	-	-	-	326
Total net periodic benefit cost	$ (467)	$ 1,471	$ 149	$ 482
Weighted-average assumptions				
Discount rate	4.50%	4.25%	4.00%	4.00%
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

Note 12. Retirement Plans (Continued)

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

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

Asset Class	Minimum	Target	Maximum
U.S. equities	35%	50%	65%
International equities	10%	15%	20%
Fixed income	25%	35%	45%
Real estate	0%	0%	5%

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

Allocations of plan assets at September 30, 2015 and 2014, are as follows (in thousands):

	2015		2014	
	Amount	Percent	Amount	Percent
U.S. equities and equivalents	$ 29,423	51%	$ 32,248	54%
International equities and equivalents	7,657	13%	8,133	14%
Fixed income	20,049	35%	17,580	30%
Cash equivalents	576	1%	1,051	2%
	$ 57,705	100%	$ 59,012	100%

Note 12. Retirement Plans (Continued)

Pension plan assets as of September 30, 2015, which are not reflected in the statement of financial position, are invested as follows (in thousands):

		Fair Value Measurements Using		
Description	Total	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investment component				
U.S. equities:				
Materials	$ 750	$ 750	$ -	$ -
Industrials	3,110	3,110	-	-
Telecommunications	676	676	-	-
Consumer discretionary	4,005	4,005	-	-
Consumer staples	2,963	2,963	-	-
Energy	1,853	1,853	-	-
Financials	6,378	6,378	-	-
Health care	3,157	3,157	-	-
Information technology	5,217	5,217	-	-
Utilities	1,236	1,236	-	-
Miscellaneous	78	78	-	-
International equities	7,657	-	7,657	-
Fixed income securities:				
U.S. treasury obligations	7,321	-	7,321	-
U.S. government agency bonds	5,274	-	5,274	-
Corporate and foreign bonds	7,454	-	7,454	-
Total investments	$ 57,129	$ 29,423	$ 27,706	$ -
Money market funds	$ 576	$ 576	$ -	$ -

Note 12. Retirement Plans (Continued)

Pension plan assets as of September 30, 2014, which are not reflected in the statement of financial position, are invested as follows (in thousands):

		Fair Value Measurements Using		
Description	Total	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Investment component				
U.S. equities:				
Materials	$ 916	$ 916	$ -	$ -
Industrials	3,662	3,662	-	-
Telecommunications	682	682	-	-
Consumer discretionary	4,062	4,062	-	-
Consumer staples	2,846	2,846	-	-
Energy	3,104	3,104	-	-
Financials	6,983	6,983	-	-
Health care	3,392	3,392	-	-
Information technology	5,189	5,189	-	-
Utilities	1,335	1,335	-	-
Miscellaneous	77	77	-	-
International equities	8,133	-	8,133	-
Fixed income securities:				
U.S. treasury obligations	5,540	-	5,540	-
U.S. government agency bonds	4,096	-	4,096	-
Corporate and foreign bonds	7,943	-	7,943	-
Total investments	$ 57,960	$ 32,248	$ 25,712	$ -
Money market funds	$ 1,052	$ 1,052	$ -	$ -

CRS investments include investment pools. Information pertaining to these investments at September 30, 2015 is as follows (in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
International equities	$ 7,657	$ -	Monthly	10 days

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

Note 12. Retirement Plans (Continued)

The pension plan contribution for the year ending September 30, 2016, is expected to be $1,000,000. The plan's expected payouts for the next five years and the following five years in the aggregate, are as follows (in thousands):

Fiscal Year	Payout
2016	$ 3,571
2017	3,439
2018	3,351
2019	3,304
2020	3,233
2021 – 2025	19,538

The healthcare inflation rate is assumed to be 8.0 percent for participants under 65 and 6.0 percent for participants 65 and older for 2015. The health care cost trend rate for the year ended September 30, 2016, is assumed to be 7.0 percent for individuals under 65 and 7.0 percent for individuals aged 65 and over. The 4.5 percent ultimate rate is projected to be reached by 2030 for individuals under 65 and by 2030 for individuals aged 65 and over. A one-percentage point increase in the healthcare inflation rate from the assumed rate could increase the accumulated post-retirement health benefit obligation by approximately $499,000 as of September 30, 2015, and would increase the aggregate of the service cost and interest cost components of net periodic post-retirement health benefit cost for 2015 by approximately $17,000. A one-percentage point decrease in the healthcare inflation rate from the assumed rate could decrease the accumulated post-retirement health benefit obligation by approximately $421,000 as of September 30, 2015, and would decrease the aggregate of the service cost and interest components of net periodic post-retirement health benefit cost for 2015 by approximately $14,000. The plans' expected payouts for the next five years and the following five years in the aggregate, are as follows (in thousands):

Fiscal Year	Payout
2016	$ 238
2017	235
2018	241
2019	243
2020	243
2021 – 2025	1,185

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

Note 12. Retirement Plans (Continued)

Effective January 1, 2014, the defined contribution plans receive additional employer-provided contributions credited to eligible employees, as approved by the Board of Directors. In addition to the matching component noted above, CRS makes a contribution of 7 percent of wages for eligible employees, and a 3 percent 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 percent to 3 percent contribution, depending upon age.

CRS contributed $6,609,000 and $4,893,000 to these two plans for the years ended September 30, 2015 and 2014, respectively.

Note 13. Self-Insured Medical Plan

CRS maintains a self-insured medical plan for the benefit of its employees. A stop loss policy is in effect, which limits CRS's loss per individual employee to $225,000. The medical plan is administered through a contractual relationship with a third party plan administrator. However, CRS is solely responsible for all claims incurred up to the amount of the stop loss provisions. CRS's expense under the self-insured medical plan amounted to $6,810,000 and $7,424,000 for the years ended September 30, 2015 and 2014, respectively.

Note 14. Restricted Net Assets

Temporarily restricted net assets at September 30, 2015 and 2014, are composed of the following (in thousands):

	2015	2014
Time restricted		
Charitable trusts	$ 8,177	$ 7,239
Pooled income fund	827	783
Other time restricted funds	527	865
Total time restricted	9,531	8,887
Program restricted		
Private emergency funds	81,636	86,156
Strategic funding initiatives	2,031	3,193
Caritas partners	761	857
Other	11,592	14,714
Total program restricted	96,020	104,920
Total temporarily restricted net assets	$ 105,551	$ 113,807

Net assets were released for the following purposes during 2015 and 2014 (in thousands):

	2015	2014
Program restricted purposes met	$ 72,074	$ 69,640
Time restricted purposes met	802	609
	$ 72,876	$ 70,249

Note 14. Restricted Net Assets (Continued)

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

Note 15. Endowments

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

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

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

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

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

Note 15. Endowments (Continued)

Endowment Net Asset Composition by Type of Fund
As of September 30, 2015 (In Thousands)

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,004	$ 1,004
Undesignated – other endowment funds	682	3,515	4,197
Third-party trust assets	-	2,364	2,364
Total funds	$ 682	$ 6,883	$ 7,565

Endowment Net Asset Composition by Type of Fund
As of September 30, 2014 (In Thousands)

	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 1,004	$ 1,004
Undesignated – other endowment funds	1,009	3,510	4,519
Third-party trust assets	-	2,236	2,236
Total funds	$ 1,009	$ 6,750	$ 7,759

Note 15. Endowments (Continued)

Changes in Endowment Net Assets
Year Ended September 30, 2015
(In Thousands)

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 1,009	$ 6,750	$ 7,759
Net investment income	49	(200)	(151)
Contributions	-	333	333
Endowment draw to operating	(376)	-	(376)
Endowment net assets, end of the year	$ 682	$ 6,883	$ 7,565

Changes in Endowment Net Assets
Year Ended September 30, 2014
(In Thousands)

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 717	$ 6,458	$ 7,175
Net investment income	662	38	700
Contributions	-	254	254
Endowment draw to operating	(370)	-	(370)
Endowment net assets, end of the year	$ 1,009	$ 6,750	$ 7,759

Note 16. Contingencies

CRS receives significant financial and non-financial assistance from the U.S. government. Entitlement to such resources is generally conditioned upon compliance with terms and conditions of the related agreements and applicable federal regulations. The use of such resources is subject to audit by governmental agencies, and CRS is contingently liable to refund amounts received in excess of allowable expenditures. As of September 30, 2015 and 2014, CRS has recorded a liability for its estimate of questioned costs that may have to be refunded to the government.

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

Note 17. Haiti Earthquake Response

On January 12, 2010, a catastrophic earthquake struck Haiti. CRS responded with emergency relief and long-term recovery and reconstruction assistance. The following is a financial summary of the activity from inception through September 30, 2015 (in thousands):

	Private Contributions	Other Donors, Including U.S. Government	Total
Contributions and grant support	$ 128,596	$ 79,044	$ 207,640
Investment income	5,314	2	5,316
Total support	133,910	79,046	212,956
Total expenses	(122,993)	(79,046)	(202,039)
Net assets at September 30, 2015	$ 10,917	$ -	$ 10,917

As a part of the emergency response, the USCCB initiated an appeal to U.S. dioceses for donations to be remitted to CRS. This diocesan appeal amounted to $84,432,000 through September 30, 2015. In addition to providing emergency relief funding for CRS's response, this appeal also designated a portion specifically for rebuilding of church structures in Haiti. Overall appeal proceeds include $50,659,000 designated for emergency relief, and $33,773,000 designated for rebuilding of church structures, of which $26,500,000 was disbursed to USCCB through 2015. The USCCB Subcommittee on the Church in Latin America manages this latter portion, and the unspent balance is reflected as a liability to USCCB on the statements of financial position, which, together with cumulative investment earnings, was $8,512,000 and $15,400,000 at September 30, 2015 and 2014, respectively.

Note 18. Philippines Typhoon Response

On November 8, 2013, the strongest typhoon ever recorded crossed the central Philippines, making six separate landfalls. CRS responded with emergency relief including shelter, water, hygiene, sanitation and essential living supplies and programs to support income generation. CRS expects that Haiyan related programming, from response to recovery, will last five years. The following is a financial summary of the activity from inception through September 30, 2015 (in thousands):

	Private Contributions	Other Donors, Including U.S. Government	Total
Contributions and grant support	$ 49,743	$ 25,291	$ 75,034
Investment income	508	-	508
Total support	50,251	25,291	75,542
Total expenses	(34,449)	(25,276)	(59,725)
Net assets at September 30, 2015	$ 15,802	$ 15	$ 15,817