

FINANCIAL STATEMENTS

RELIEF INTERNATIONAL

**FOR THE YEARS ENDED
DECEMBER 31, 2009 AND 2008**

RELIEF INTERNATIONAL

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Relief International
Los Angeles, California

We have audited the accompanying statements of financial position of Relief International as of December 31, 2009 and 2008, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Relief International's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Relief International's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Relief International as of December 31, 2009 and 2008, and its changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010 on our consideration of Relief International's 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 Relief International's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Gelman Rosenberg & Freedman

September 28, 2010

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RELIEF INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009 AND 2008

ASSETS	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,176,910	\$ 2,136,363
Investments (Notes 2 and 12)	8,431	7,498
Loans receivable, net of allowance of \$455,930 in 2009 and \$455,930 in 2008 (Note 3)	6,766,222	4,543,797
Loan to Relief International-UK (Note 11)	605,773	589,661
Grants receivable	22,004,715	26,398,729
Other receivables	187,360	179,643
Prepaid expenses and other assets	151,192	143,947
Inventory	<u>132,910</u>	<u>33,763</u>
Total current assets	<u>34,033,513</u>	<u>34,033,401</u>
PROPERTY AND EQUIPMENT		
Land and building (Note 5)	126,000	-
Furniture and fixtures	4,955	4,955
Office equipment	21,119	21,119
Computer equipment	189,237	125,360
Vehicles	<u>282,316</u>	<u>256,458</u>
	623,627	407,892
Less: Accumulated depreciation	<u>(433,943)</u>	<u>(333,995)</u>
Net property and equipment	<u>189,684</u>	<u>73,897</u>
OTHER ASSETS		
Security deposits	<u>42,313</u>	<u>22,194</u>
TOTAL ASSETS	<u>\$ 34,265,510</u>	<u>\$ 34,129,492</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit (Note 4)	\$ 850,000	\$ 350,000
Accounts payable and accrued expenses (Note 10)	<u>2,094,316</u>	<u>1,054,053</u>
Total current liabilities	<u>2,944,316</u>	<u>1,404,053</u>
NET ASSETS		
Unrestricted	403,035	112,668
Temporarily restricted (Note 5)	<u>30,918,159</u>	<u>32,612,771</u>
Total net assets	<u>31,321,194</u>	<u>32,725,439</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 34,265,510</u>	<u>\$ 34,129,492</u>

See accompanying notes to financial statements.

RELIEF INTERNATIONAL

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008**

	2009		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and contributions (Notes 8 and 9)	\$ 2,858,715	\$ 22,398,455	\$ 25,257,170
Loan interest income	-	1,575,078	1,575,078
Contributed goods and services	56,707	1,320,370	1,377,077
Interest and investment income (Note 2)	7,384	10,603	17,987
Other revenue	195,232	-	195,232
Net assets released from donor restrictions (Note 6)	<u>27,453,952</u>	<u>(27,453,952)</u>	<u>-</u>
Total support and revenue	<u>30,571,990</u>	<u>(2,149,446)</u>	<u>28,422,544</u>
EXPENSES			
Program Services:			
Community Development, Shelter and Refugee Resettlement	15,106,540	-	15,106,540
Education: Schools, Libraries and ICT in ED	1,962,847	-	1,962,847
Women Development	98,305	-	98,305
Emergency Response	4,557,337	-	4,557,337
Health, Household Food and Economic Security	<u>4,540,257</u>	<u>-</u>	<u>4,540,257</u>
Total program services	<u>26,265,286</u>	<u>-</u>	<u>26,265,286</u>
Supporting Services:			
General and Administrative	4,016,952	-	4,016,952
Fundraising	<u>11,925</u>	<u>-</u>	<u>11,925</u>
Total supporting services	<u>4,028,877</u>	<u>-</u>	<u>4,028,877</u>
Total expenses	<u>30,294,163</u>	<u>-</u>	<u>30,294,163</u>
Changes in net assets before other items	277,827	(2,149,446)	(1,871,619)
OTHER ITEMS			
Unrealized gain (loss) on investments (Note 2)	933	-	933
Transfer of net assets through merger	<u>11,607</u>	<u>454,834</u>	<u>466,441</u>
Changes in net assets	290,367	(1,694,612)	(1,404,245)
Net assets at beginning of year	<u>112,668</u>	<u>32,612,771</u>	<u>32,725,439</u>
NET ASSETS AT END OF YEAR	<u>\$ 403,035</u>	<u>\$ 30,918,159</u>	<u>\$ 31,321,194</u>

See accompanying notes to financial statements.

2008		
Unrestricted	Temporarily Restricted	Total
\$ 3,167,712	\$ 39,849,059	\$ 43,016,771
-	1,038,652	1,038,652
831,593	15,084	846,677
47,935	-	47,935
42,703	-	42,703
<u>20,268,820</u>	<u>(20,268,820)</u>	<u>-</u>
<u>24,358,763</u>	<u>20,633,975</u>	<u>44,992,738</u>
15,555,489	-	15,555,489
2,122,564	-	2,122,564
47,828	-	47,828
968,625	-	968,625
<u>2,781,555</u>	<u>-</u>	<u>2,781,555</u>
<u>21,476,061</u>	<u>-</u>	<u>21,476,061</u>
2,824,755	-	2,824,755
<u>35,809</u>	<u>-</u>	<u>35,809</u>
<u>2,860,564</u>	<u>-</u>	<u>2,860,564</u>
<u>24,336,625</u>	<u>-</u>	<u>24,336,625</u>
22,138	20,633,975	20,656,113
(4,149)	-	(4,149)
<u>-</u>	<u>-</u>	<u>-</u>
17,989	20,633,975	20,651,964
<u>94,679</u>	<u>11,978,796</u>	<u>12,073,475</u>
<u>\$ 112,668</u>	<u>\$ 32,612,771</u>	<u>\$ 32,725,439</u>

See accompanying notes to financial statements.

RELIEF INTERNATIONAL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Program Services

	Community Development, Shelter and Refugee Resettlement	Education: Schools, Libraries and ICT in ED	Women Development	Emergency Response
Salaries and related benefits (Note 10)	\$ 4,821,266	\$ 748,472	\$ 17,535	\$ 976,334
Consultants	13,730	41,995	-	18,880
Depreciation	-	-	-	-
Contributed food and relief commodities	354,218	-	-	-
Projects	6,407,485	634,366	38,375	2,738,745
Subrecipient expenses	983,244	23,431	2,416	9,979
International freight	1,883	738	-	186
Vehicles and equipment expense	56,864	35,608	1,962	19,186
Office furniture and fixtures	9,937	17,061	3,226	158,464
Office expense	71,448	21,056	4,093	29,980
Supplies	-	-	14,997	145
Insurance	219,375	45,297	3,042	44,059
Interest	1,328	15	-	1
New country initiatives	-	-	-	-
Bank charges	65,883	5,075	74	12,625
Books and periodicals	2,379	37	-	20
Communications	174,356	28,759	1,490	55,512
Security	120,685	2,156	-	9,471
Postage	22,494	3,460	-	2,213
Printing and copying	12,539	3,515	40	6,506
Public relations	1,263	933	-	1,240
Office rent and utilities (Note 7)	481,434	91,662	-	155,560
Equipment/vehicle rental, maintenance and fuel	632,912	52,009	8,880	211,547
Training	85,908	4,205	-	2,290
Travel	455,080	154,805	21	74,598
Membership fees	3,520	909	-	1,428
Accounting and audit	77,140	20,642	-	6,560
Legal fees	27	-	-	4,144
Bad debt and loan allowance	-	-	-	-
Other operating expenses	30,142	26,641	2,154	17,664
TOTAL	\$ 15,106,540	\$ 1,962,847	\$ 98,305	\$ 4,557,337

See accompanying notes to financial statements.

Supporting Services					
Health, Household Food and Economic Security	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 1,639,820	\$ 8,203,427	\$ 2,740,708	\$ 6,528	\$ 2,747,236	\$ 10,950,663
110,305	184,910	134,234	-	134,234	319,144
-	-	65,374	-	65,374	65,374
867,005	1,221,223	-	-	-	1,221,223
9,729	9,828,700	-	-	-	9,828,700
563,824	1,582,894	8,170	-	8,170	1,591,064
3	2,810	198	-	198	3,008
158,871	272,491	102,206	-	102,206	374,697
4,692	193,380	3,459	-	3,459	196,839
54,968	181,545	12,912	-	12,912	194,457
-	15,142	73	-	73	15,215
113,263	425,036	158,448	291	158,739	583,775
3,387	4,731	26,430	-	26,430	31,161
-	-	8,586	-	8,586	8,586
18,673	102,330	19,614	-	19,614	121,944
10	2,446	3,255	-	3,255	5,701
78,133	338,250	49,961	-	49,961	388,211
35,122	167,434	9,904	-	9,904	177,338
8,943	37,110	5,810	18	5,828	42,938
10,392	32,992	1,858	-	1,858	34,850
-	3,436	669	1,047	1,716	5,152
168,616	897,272	254,601	4,000	258,601	1,155,873
278,982	1,184,330	58,172	33	58,205	1,242,535
48,642	141,045	8,828	-	8,828	149,873
228,822	913,326	169,419	-	169,419	1,082,745
2,745	8,602	39,163	-	39,163	47,765
38,684	143,026	27,134	-	27,134	170,160
589	4,760	5,676	-	5,676	10,436
-	-	35,202	-	35,202	35,202
96,037	172,638	66,888	8	66,896	239,534
\$ 4,540,257	\$ 26,265,286	\$ 4,016,952	\$ 11,925	\$ 4,028,877	\$ 30,294,163

See accompanying notes to financial statements.

RELIEF INTERNATIONAL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2008**

	Program Services			
	Community Development, Shelter and Refugee Resettlement	Education: Schools, Libraries and ICT in ED	Women Development	Emergency Response
Salaries and related benefits (Note 10)	\$ 5,294,777	\$ 752,543	\$ 10,642	\$ 323,915
Consultants	7,021	22,902	-	-
Contributed food and relief commodities	204,895	-	-	186,201
Depreciation	-	-	-	-
Projects	4,919,802	871,736	31,381	125,723
Subrecipient expenses	1,379,426	88,304	-	173,623
International freight	1,142	-	-	-
Vehicles and equipment expense	701,302	22,404	-	-
Office furniture and fixtures	174,055	4,473	-	1,674
Office expense	143,024	13,415	1,864	1,908
Supplies	54,416	34,018	-	-
Insurance	101,936	17,465	183	18,264
Interest	1,583	1,509	-	-
New country initiatives (Note 11)	-	-	-	-
Bank charges	51,192	3,172	54	2,030
Books and periodicals	920	3,172	-	26
Communications	286,730	32,575	-	10,420
Security	12,498	591	785	4,117
Household supplies	5,944	3,046	-	2,186
Postage	8,422	3,249	23	240
Printing and copying	19,562	2,550	160	1,318
Public relations	-	-	-	-
Office rent and utilities (Note 7)	603,324	45,205	1,397	22,365
Equipment/vehicle rental, maintenance and fuel	895,310	44,814	1,249	49,459
Training	254,929	57,267	-	1,756
Travel	299,556	71,496	-	30,084
Membership fees	700	-	-	-
Accounting and audit	76,387	6,683	-	6,770
Legal fees	-	-	-	-
Bad debt and loan allowance	-	-	-	-
Other operating expenses	56,636	19,975	90	6,546
TOTAL	\$ 15,555,489	\$ 2,122,564	\$ 47,828	\$ 968,625

See accompanying notes to financial statements.

Supporting Services						
Health, Household Food and Economic Security	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses	
\$ 844,853	\$ 7,226,730	\$ 1,745,786	\$ 23,971	\$ 1,769,757	\$ 8,996,487	
-	29,923	2,485	7,931	10,416	40,339	
496,456	887,552	18,380	-	18,380	905,932	
-	-	66,493	-	66,493	66,493	
533,826	6,482,468	-	-	-	6,482,468	
28,113	1,669,466	-	-	-	1,669,466	
-	1,142	-	-	-	1,142	
24,748	748,454	8,297	-	8,297	756,751	
3,789	183,991	9,847	-	9,847	193,838	
30,792	191,003	17,378	-	17,378	208,381	
-	88,434	-	-	-	88,434	
24,448	162,296	159,331	-	159,331	321,627	
303	3,395	1,058	-	1,058	4,453	
-	-	258,184	-	258,184	258,184	
22,039	78,487	11,649	-	11,649	90,136	
94	4,212	639	-	639	4,851	
33,510	363,235	35,438	-	35,438	398,673	
22,102	40,093	-	-	-	40,093	
745	11,921	164	-	164	12,085	
2,996	14,930	5,982	32	6,014	20,944	
6,255	29,845	6,050	3,870	9,920	39,765	
-	-	3,870	-	3,870	3,870	
77,859	750,150	239,960	-	239,960	990,110	
155,448	1,146,280	3,264	-	3,264	1,149,544	
8,926	322,878	-	-	-	322,878	
70,831	471,967	101,938	-	101,938	573,905	
-	700	32,212	-	32,212	32,912	
50,168	140,008	13,952	-	13,952	153,960	
-	-	2,798	-	2,798	2,798	
333,231	333,231	30,529	-	30,529	363,760	
10,023	93,270	49,071	5	49,076	142,346	
\$ 2,781,555	\$ 21,476,061	\$ 2,824,755	\$ 35,809	\$ 2,860,564	\$ 24,336,625	

See accompanying notes to financial statements.

RELIEF INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (1,404,245)	\$ 20,651,964
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	65,374	66,493
Receipt of stock	-	(3,086)
Bad debt	34,800	30,529
Increase in loan allowance	-	333,231
Donation of computer equipment and software	-	(15,084)
Unrealized (gain) loss on investments	(933)	4,149
Forgiveness of loan due from Relief International - UK	-	199,697
Transfer of net property and equipment through merger	(28,025)	-
Receipt of donated property	(126,000)	-
(Increase) decrease in:		
Grants receivable	4,359,214	(17,808,222)
Other receivables	(7,717)	(111,384)
Prepaid expenses and other assets	(7,245)	(90,935)
Inventory	(99,147)	74,339
Security deposits	(20,119)	(10,975)
Increase (decrease) in:		
Accounts payable and accrued expenses	<u>1,040,265</u>	<u>(669,125)</u>
Net cash provided by operating activities	<u>3,806,222</u>	<u>2,651,591</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(27,137)</u>	<u>(83,040)</u>
Net cash used by investing activities	<u>(27,137)</u>	<u>(83,040)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net disbursements of micro-credit loans receivable	(2,222,425)	(2,406,479)
Repayments on loans payable	-	(16,667)
Net cash outlays on behalf of Relief International-UK	(16,113)	(589,661)
Repayments on line of credit	(675,000)	-
Cash drawn on line of credit	<u>1,175,000</u>	<u>350,000</u>
Net cash used by financing activities	<u>(1,738,538)</u>	<u>(2,662,807)</u>
Net increase (decrease) in cash and cash equivalents	2,040,547	(94,256)
Cash and cash equivalents at beginning of year	<u>2,136,363</u>	<u>2,230,619</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 4,176,910</u>	<u>\$ 2,136,363</u>

See accompanying notes to financial statements.

RELIEF INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ <u>31,161</u>	\$ <u>4,453</u>

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Relief International was founded in June 1990 and formally incorporated in the State of California on November 30, 1990, as a non-profit charitable organization. Relief International is a humanitarian agency with the aim of saving lives and rebuilding livelihoods in manmade and natural disasters by transitioning relief to development. Relief International is non-sectarian and non-political in its mission. Relief International's transitional programs are holistic and cross-sectoral, including services and capacity development programs in health, shelter, food, education, economic security, community development and rural livelihoods. Past and current programs have included assistance to refugees, displaced and other needy individuals in Afghanistan, Albania, Azerbaijan, Bangladesh, Bulgaria, Burundi, Cambodia, Georgia, Ghana, Guinea, Indonesia, Iran, Iraq, Jordan, Kosovo, Lebanon, Myanmar, Nepal, Niger, Nigeria, Pakistan, Palestine, Philippines, Senegal, Somalia, Sri Lanka, Sudan, Tajikistan, Tanzania, Turkey, Uganda, Yemen and Vietnam. Relief International also provides internet connectivity to schools in several countries within the Americas, Middle East, Africa, Asia and Europe. Working with its partners, Relief International provides appropriate technology, teacher development workshops and continuous teacher support to engage them in online collaborative projects.

Relief International receives grant funds and contributions from the U.S. Agency for International Development (USAID), the U.S. Department of State (DOS), various foundations, international organizations (such as the United Nations High Commissioner for Refugees and UNICEF) and other foreign governments. Relief International also receives USAID funding through other nonprofit and for-profit organizations.

On June 30, 2009, Relief International entered into an agreement and plan of merger and reorganization with Enterprise Works/Vita, Inc. (EWV), a Washington DC not-for-profit corporation exempt from income tax under Internal Revenue Code Section 501(c)(3). In accordance with the terms of the agreement and plan of merger and reorganization, EWV merged with and into Relief International, and the separate corporate existence of EWV ceased and Relief International continued as the surviving corporation. Accordingly, all property, rights, privileges, powers and franchises of EWV vested in the Surviving Corporation, and all debts, liabilities and duties of EWV became the debts, liabilities and duties of the Surviving Corporation. During 2009, total net assets of \$466,441 were transferred to Relief International and have been reflected as an Other Item in the accompanying Statements of Activities and Changes in Net Assets.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The accompanying financial statements include the worldwide operations of Relief International.

Cash and cash equivalents -

For financial statement purposes, cash on hand and deposits in U.S. and foreign banks with maturities of three months or less are considered to be cash equivalents.

Relief International had \$2,081,597 and \$1,775,721 in cash and cash equivalents held at financial institutions and on hand in foreign countries at December 31, 2009 and 2008, respectively. The majority of the funds invested in foreign countries is uninsured.

At times during the year, Relief International maintains cash balances at financial institutions in excess of the current Federal Deposit Insurance Corporation (FDIC) limit of \$250,000. Management believes the risk in these situations to be minimal.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Foreign currency translation -

The dollar ("dollars") is the functional currency for Relief International's worldwide operations. Transactions in currencies other than U.S. dollars are translated into dollars at the rate of exchange in effect during the month of the transaction.

Current assets and liabilities denominated in non-U.S. currency are translated into dollars at the exchange rate in effect at the dates of the Statements of Financial Position.

Investments -

Investments are recorded at market value. Investments donated to Relief International are recorded at market value as of the date of donation. Gains and losses due to market fluctuations are recorded as unrealized in the accompanying Statements of Activities and Changes in Net Assets until the securities are sold or traded.

Property and equipment -

Property and equipment purchased with unrestricted funds (with a cost basis exceeding \$1,000 or more) are stated at cost and are depreciated on the straight-line basis over their related estimated useful lives, generally three to five years. Property and equipment (with an estimated fair value exceeding \$1,000) donated to Relief International is recorded as temporarily restricted revenue in the year of receipt. All donated assets (non-inventory) are depreciated over their estimated useful lives; accordingly this expense is also recorded as net assets released from restrictions (Note 6).

During 2009, Relief International received a parcel of property located in Los Angeles, California, from a donor who imposed certain restrictions on the use of any sales proceeds specifically to further Relief International's programs in Afghanistan. The value assigned to the property totaled \$126,000 (land value of \$38,000 and building value of \$88,000) (Note 5). The property has not been sold as of December 31, 2009, and therefore the value of the building has been depreciated on the straight-line basis over its estimated useful life of 40 years. During the year ended December 31, 2009, Relief International recorded \$2,887 of depreciation expense on the building.

Relief International also purchases equipment for its various programs with funding received from the U.S. Government and other donors. Under the terms of these agreements, title to equipment remains with Relief International, but the donor generally retains control of the equipment until disposition at the end of the award period. In most cases (and under the direction of the donor), Relief International donates this equipment to local humanitarian organizations at the end of the award period. Therefore, equipment purchased under these programs are expensed when incurred and such assets are not reflected as capital assets in the accompanying Statements of Financial Position. Maintenance, repairs and renewals that neither materially add value to existing property (nor prolong its life) are expensed as incurred.

Income taxes -

Relief International is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes (continued) -

Relief International is not a private foundation as described in Section 509(a)(2) of the Internal Revenue Code. Relief International is subject to unrelated business income taxes under Section 512 of the Internal Revenue Code. During the years ended December 31, 2009 and 2008, Relief International did not generate any unrelated business income.

Uncertain tax positions -

In June 2006, the Financial Accounting Standards Board (FASB) released FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes. For the year ended December 31, 2009, Relief International has documented its consideration of FASB ASC 740-10 and determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Since the provisions of FASB ASC 740-10 were not effective for 2008, Relief International utilized its prior policy of accounting for these positions, following the guidance in FASB ASC 450, *Contingencies*. Disclosure is not required of a loss contingency involving an unasserted claim or assessment when there has been no manifestation by a potential claimant of an awareness of a possible claim or assessment unless it is considered probable that a claim will be asserted and there is a reasonable possibility that the outcome will be unfavorable. Using that guidance, as of December 31, 2008, Relief International had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Inventory -

Inventory consists of various hygienic supplies, food and other relief commodities, and are recorded at a fair value assigned by the donor on the date of donation. Distributions of inventory are recorded on a first-in, first-out basis. During the years ended December 31, 2009 and 2008, Relief International received \$1,320,370 (\$1,377,077 total in-kind revenue, less \$56,707 of donated office supplies) and \$831,593 (\$846,677 total in-kind revenue, less \$15,084 of donated capital equipment) in commodities, respectively, of which \$1,221,223 and \$905,932, respectively, were distributed as of fiscal year-end. As of December 31, 2009 and 2008, total inventory on hand aggregated \$132,910 and \$33,763, respectively.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of Relief International and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of Relief International and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Grants and contributions -

Grants and contributions are recorded as revenue in the year notification is received from the donor. Grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Contributed goods and services -

Contributed goods and services consisted of donated food, services, supplies and other relief commodities. The value of these contributions are recorded at their fair market value as of the date the goods and services were provided. Contributions of \$1,377,077 and \$846,677, representing the fair value of the use of these goods and services have been recorded as revenue in the accompanying financial statements for the years ended December 31, 2009 and 2008, respectively. Relief International also receives additional contributed goods and services for which an estimate of the fair value is not determinable.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Risks and uncertainties -

Relief International invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

Fair value measurements -

Relief International adopted the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. Relief International accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. INVESTMENTS

Investments consisted of the following at December 31, 2009 and 2008:

	2009		2008	
	Cost	Market Value	Cost	Market Value
Common Stock	<u>\$ 11,577</u>	<u>\$ 8,431</u>	<u>\$ 11,577</u>	<u>\$ 7,498</u>

During the year ended December 31, 2009, Relief International had an unrealized gain on its investments totaling \$933. During the year ended December 31, 2008, Relief International had an unrealized loss on its investments totaling \$4,149. The unrealized gain (loss) on investments has been reflected as an Other Item in the accompanying Statements of Activities and Changes in Net Assets.

3. LOANS RECEIVABLE

Relief International maintains several "Group Solidarity" loans in Azerbaijan. The loans are unsecured and interest is payable monthly at 3.0% on the declining principal balance. Interest is not charged during the first and second month of the loan period, resulting in an annual interest rate of approximately 16.5% to 20.0%. As of December 31, 2009 and 2008, total borrowings (including accrued interest), net of uncollectible balances of \$6,674 and \$7,158, aggregated \$385,151 and \$328,789, respectively.

Relief International maintains several micro-credit loans in Afghanistan. The loans are unsecured and are generally repayable within a 12-month period. The loans are interest-bearing at 22.0% per annum. As of December 31, 2009 and 2008, total borrowings, net of uncollectible balances of \$261,052 and \$249,952, aggregated \$149,867 and \$84,285, respectively.

Relief International maintains several micro-credit loans in Iraq (this portfolio represents approximately 75.1% and 87.6% of Relief International's net loans receivable worldwide as of December 31, 2009 and 2008, respectively). All loans were provided to individuals in accordance with the terms of Relief International's local programmatic activities. The majority of loans are due within one-year and bear interest of 6.0% to 15.0%. Total micro-credit loans receivable, net of uncollectible balances of \$145,671 and \$166,372, aggregated \$5,078,352 and \$3,978,331 as of December 31, 2009 and 2008, respectively.

Relief International maintains several micro-credit loans in Pakistan, Sudan, Indonesia, Lebanon, Palestine and Sri Lanka. The loans have been extended to local associations and individuals (including group loans), in accordance with the terms of Relief International's local programmatic activities. The majority of loans are due within one-year and bear interest up to 13.0%. Total micro-credit loans receivable, net of uncollectible balances of \$42,533 and \$32,448, aggregated \$652,852 and \$152,392 as of December 31, 2009 and 2008, respectively.

RELIEF INTERNATIONAL

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008**

3. LOANS RECEIVABLE (Continued)

During 2009, Relief International entered into loan agreements with two local lending institutions in Lebanon. The loans are non-interest bearing and are currently due on November 28, 2010. Under the terms of the agreements, Relief International will provide up to \$500,000 in lending capital to each institution, and at the end of the agreement the loans may be converted into a grant (based on satisfactory performance). As of December 31, 2009, Relief International obligated and transferred one-half of each agreement to the lending institutions (\$250,000 per institution), therefore the total loans receivable aggregated \$500,000.

4. LINES OF CREDIT

Relief International maintained a \$375,000 line of credit with a local financial institution. The line of credit was paid off and closed during 2009. Amounts borrowed under this agreement were assessed interest based on the Wall Street Journal prime rate plus 2.0% (5.25% at December 31, 2008). The line was secured by all cash and accounts receivable. As of December 31, 2009, there were no outstanding borrowings. At December 31, 2008 the total amount due on the line of credit aggregated \$350,000.

On July 9, 2009, Relief International opened a \$1,125,000 line of credit with another local financial institution. Amounts borrowed under this agreement bear interest of the bank's prime rate plus 0.25% (4.50% at December 31, 2009). Interest is assessed on a monthly basis. All accounts receivable have been pledged as collateral. At December 31, 2009 the total amount due on the line of credit aggregated \$850,000.

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2009 and 2008:

	2009	2008
Community Development, Shelter and Refugee Resettlement	\$ 8,762,038	\$ 19,078,220
Education: Schools, Libraries and ICT in ED *	1,897,197	3,127,282
Women Development	67,598	204,657
Emergency Response	1,991,277	1,650,916
Health, Household Food and Economic Security	10,437,928	3,515,413
Micro-Credit Loan Capital Restricted for Lending - Federal Donors	6,218,722	4,854,457
Micro-Credit Loan Capital Restricted for Lending - Non-Federal Donors	1,543,399	165,725
Donated computer equipment	-	16,101
	\$ 30,918,159	\$ 32,612,771

* Included in the "Education: Schools, Libraries and ICT in ED" total is the full value of the donated property noted in Footnote 1. At December 31, 2009, the value of this restricted property totaled \$126,000.

RELIEF INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

6. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

	2009	2008
Community Development, Shelter and Refugee Resettlement	\$ 17,099,284	\$ 15,135,400
Education: Schools, Libraries and ICT in ED	1,840,736	2,101,433
Women Development	112,804	47,143
Emergency Response	4,195,248	965,832
Health, Household Food and Economic Security	4,189,779	2,009,411
Depreciation of donated computer equipment	16,101	9,601
	<u>\$ 27,453,952</u>	<u>\$ 20,268,820</u>

7. LEASE COMMITMENT

Relief International leases its principal office space in Los Angeles, California, under an operating rental agreement which expires on August 31, 2013. Relief International also leases office space in Washington, D.C. under an agreement expiring on July 31, 2012. Relief International leases offices and guest houses in several foreign countries under short-term lease agreements. Total rent expense (including foreign country offices utilities and related costs) for the years ended December 31, 2009 and 2008 were \$1,155,873 and \$990,110, respectively.

Future minimum lease payments required under this lease agreement are as follows:

Year Ended December 31,	
2010	\$ 379,780
2011	386,761
2012	308,496
2013	129,152
	<u>\$ 1,204,189</u>

8. CONTINGENCIES

United States Government funding -

Relief International receives grants and contracts from various agencies of the United States Government. Such awards are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2009. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

8. CONTINGENCIES (Continued)

United States Government funding (continued) -

Relief International administers its various programs in numerous developing countries through its field offices in each of those countries. Relief International also maintains cash accounts as well as loan portfolios in certain of those countries. The future results of those programs could be adversely affected by a number of potential factors, such as currency devaluations or changes in the political climate.

As of December 31, 2009 and 2008, Relief International had cash and other assets in Afghanistan, Azerbaijan, Bangladesh, Ghana, Guinea, Indonesia, Iran, Iraq, Jordan, Kenya, Lebanon, Myanmar, Niger, Nigeria, Pakistan, Palestine, Philippines, Senegal, Somalia, Sri Lanka, Sudan, Tajikistan, Tanzania and Yemen, totaling approximately \$9,200,000 and \$6,600,000, respectively, which represents 27% and 19% of Relief International's total assets as of December 31, 2009 and 2008, respectively.

9. ECONOMIC DEPENDENCY

Approximately 83% and 82% of Relief International's unrestricted support and revenue (excluding contributed food and relief commodities) for the years ended December 31, 2009 and 2008, respectively, was derived from grants and contracts awarded by the United States Government and various pass-through entities. Relief International has no reason to believe that relationships with these entities will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew agreements or withholding of funds) would adversely affect Relief International's ability to finance ongoing operations.

10. RETIREMENT PLANS

Relief International has adopted a retirement plan under Section 403(b)(7) of the Internal Revenue Code. Employees are eligible to participate in the plan after one year of service to the organization. Employee contributions are limited to \$16,500 per year, and Relief International will match those annual contributions initially at 24%, not to exceed \$4,125. The employer match percentage increases based on years of service. Relief International contributions are vested at 20% after two years of service, rising to 100% after six years of service. During the years ended December 31, 2009 and 2008, the retirement plan expense totaled \$43,990 and \$22,505, respectively.

As of July 2009, Relief International assumed two additional pensions plans on the merger with Enterprise Works/Vita; an IRS Section 401(a) defined contribution retirement plan and an IRS Section 403(b) tax-deferred annuity plan. The IRS Section 401(a) defined contribution retirement plan is open to eligible employees who have completed one year of service. Participants are immediately fully vested. Relief International contributes of 5% of the participant's annual salary to the plan. During the year ended December 31, 2009, Relief International contributed \$19,015 to this plan. The IRS Section 403(b) tax-deferred annuity plan is open to immediate participation by eligible employees; Relief International does not contribute to this plan.

Unrecognized prior service pension benefits have been granted to three employees who have been employed by Relief International for a minimum of six years and did not have benefit or opportunity to participate in a pension plan. The total benefit amount of \$500,000 is being granted first as a maximization of each employee's 403(b) plan and the remainder shall be placed in an administered 457(f) plan. As of December 31, 2009, the total amount of \$500,000 has been recorded as an accrued liability in the accompanying Statements of Financial Position.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008

11. LOAN TO RELIEF INTERNATIONAL - UK

Relief International - UK (RI-UK), a separately incorporated not-for-profit entity in the United Kingdom, is part of the global family of Relief International agencies through which international programmatic activities are coordinated. On occasion, Relief International provides short-term interest-free financing and other support to RI-UK. During 2009 and 2008, Relief International provided \$16,113 and \$589,661, respectively, of financing to RI-UK. In addition, during 2008 Relief International forgave \$199,697 of the total amount due from RI-UK (representing the entire December 31, 2007 balance). The forgiveness of the aggregate amount due from RI-UK was recorded in "New Country Initiatives" expense in the accompanying 2008 Statement of Functional Expenses. As of December 31, 2009 and 2008, the aggregate amount due from RI-UK totaled \$605,773 and \$589,661, respectively.

12. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, Relief International has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market Relief International has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full-term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

Financial assets recorded in the Statements of Financial Position are categorized based on the inputs to the valuation technique as follows for the years ended December 31, 2009 and 2008:

	2009			
	Level 1	Level 2	Level 3	Total
Asset Category - Investments	<u>\$ 8,431</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,431</u>
	2008			
	Level 1	Level 2	Level 3	Total
Asset Category - Investments	<u>\$ 7,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,498</u>

RELIEF INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009 AND 2008

13. SUBSEQUENT EVENTS

In preparing these financial statements, Relief International has evaluated events and transactions for potential recognition or disclosure through September 28, 2010, the date the financial statements were issued.