

FINANCIAL STATEMENTS

RELIEF INTERNATIONAL

**FOR THE YEARS ENDED
DECEMBER 31, 2010 AND 2009**

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, 2010 and 2009, 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, 2010 and 2009, 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 July 26, 2011 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

July 26, 2011

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

RELIEF INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
CURRENT ASSETS		
Cash and cash equivalents	\$ 5,331,346	\$ 4,176,910
Investments (Notes 2 and 12)	11,689	8,431
Loans receivable, net of allowance of \$455,930 in 2010 and \$455,930 in 2009 (Note 3)	9,898,256	6,766,222
Loan to Relief International-UK (Note 4)	553,218	605,773
Grants receivable	18,960,187	22,004,715
Other receivables	176,597	187,360
Prepaid expenses and other assets	134,139	151,192
Inventory	<u>7,880,568</u>	<u>132,910</u>
Total current assets	<u>42,946,000</u>	<u>34,033,513</u>
PROPERTY AND EQUIPMENT		
Land and building (Note 6)	126,000	126,000
Furniture and fixtures	4,955	4,955
Office equipment	21,119	21,119
Computer equipment	189,237	189,237
Vehicles	<u>485,255</u>	<u>282,316</u>
	826,566	623,627
Less: Accumulated depreciation	<u>(546,579)</u>	<u>(433,943)</u>
Net property and equipment	<u>279,987</u>	<u>189,684</u>
OTHER ASSETS		
Security deposits	<u>44,243</u>	<u>42,313</u>
TOTAL ASSETS	<u>\$ 43,270,230</u>	<u>\$ 34,265,510</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Lines of credit (Note 5)	\$ 609,991	\$ 850,000
Accounts payable and accrued expenses (Note 11)	2,954,985	2,094,316
Refundable advances	<u>153,803</u>	<u>-</u>
Total current liabilities	<u>3,718,779</u>	<u>2,944,316</u>
NET ASSETS		
Unrestricted	411,268	403,035
Temporarily restricted (Note 6)	<u>39,140,183</u>	<u>30,918,159</u>
Total net assets	<u>39,551,451</u>	<u>31,321,194</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 43,270,230</u>	<u>\$ 34,265,510</u>

See accompanying notes to financial statements.

RELIEF INTERNATIONAL

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

	2010		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and contributions (Notes 9 and 10)	\$ 3,889,785	\$ 21,989,068	\$ 25,878,853
Loan interest income	-	2,325,952	2,325,952
Contributed goods and services	-	10,235,181	10,235,181
Interest and investment income (Note 2)	23,916	-	23,916
Other revenue	247,888	-	247,888
Net assets released from donor restrictions (Note 7)	<u>26,328,177</u>	<u>(26,328,177)</u>	<u>-</u>
Total support and revenue	<u>30,489,766</u>	<u>8,222,024</u>	<u>38,711,790</u>
EXPENSES			
Program Services:			
Emergency, Health and Sanitation	10,808,557	-	10,808,557
Food and Agriculture	1,848,536	-	1,848,536
Livelihoods and Enterprise	5,749,277	-	5,749,277
Shelter and Infrastructure	2,123,614	-	2,123,614
Education and Empowerment	2,996,875	-	2,996,875
Protection and Human Rights	<u>3,093,170</u>	<u>-</u>	<u>3,093,170</u>
Total program services	<u>26,620,029</u>	<u>-</u>	<u>26,620,029</u>
Supporting Services:			
General and Administrative	3,765,763	-	3,765,763
Fundraising	<u>98,999</u>	<u>-</u>	<u>98,999</u>
Total supporting services	<u>3,864,762</u>	<u>-</u>	<u>3,864,762</u>
Total expenses	<u>30,484,791</u>	<u>-</u>	<u>30,484,791</u>
Changes in net assets before other items	4,975	8,222,024	8,226,999
OTHER ITEMS			
Unrealized gain on investments (Note 2)	3,258	-	3,258
Transfer of net assets through merger	<u>-</u>	<u>-</u>	<u>-</u>
Changes in net assets	8,233	8,222,024	8,230,257
Net assets at beginning of year	<u>403,035</u>	<u>30,918,159</u>	<u>31,321,194</u>
NET ASSETS AT END OF YEAR	<u>\$ 411,268</u>	<u>\$ 39,140,183</u>	<u>\$ 39,551,451</u>

See accompanying notes to financial statements.

2009		
Unrestricted	Temporarily Restricted	Total
\$ 2,858,715	\$ 22,398,455	\$ 25,257,170
-	1,575,078	1,575,078
56,707	1,320,370	1,377,077
7,384	10,603	17,987
195,232	-	195,232
<u>27,453,952</u>	<u>(27,453,952)</u>	<u>-</u>
<u>30,571,990</u>	<u>(2,149,446)</u>	<u>28,422,544</u>
6,751,225	-	6,751,225
1,259,564	-	1,259,564
4,648,249	-	4,648,249
1,554,041	-	1,554,041
2,214,490	-	2,214,490
<u>9,837,717</u>	<u>-</u>	<u>9,837,717</u>
<u>26,265,286</u>	<u>-</u>	<u>26,265,286</u>
4,016,952	-	4,016,952
<u>11,925</u>	<u>-</u>	<u>11,925</u>
<u>4,028,877</u>	<u>-</u>	<u>4,028,877</u>
<u>30,294,163</u>	<u>-</u>	<u>30,294,163</u>
277,827	(2,149,446)	(1,871,619)
933	-	933
<u>11,607</u>	<u>454,834</u>	<u>466,441</u>
290,367	(1,694,612)	(1,404,245)
<u>112,668</u>	<u>32,612,771</u>	<u>32,725,439</u>
<u>\$ 403,035</u>	<u>\$ 30,918,159</u>	<u>\$ 31,321,194</u>

See accompanying notes to financial statements.

RELIEF INTERNATIONAL

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Program Services			
	Emergency, Health and Sanitation	Food and Agriculture	Livelihoods and Enterprise	Shelter and Infrastructure
Salaries and related benefits (Note 11)	\$ 3,222,739	\$ 616,887	\$ 2,301,623	\$ 615,459
Consultants	144,498	133,081	37,257	350
Depreciation	63,295	5,451	-	-
Contributed food and relief commodities	339,004	123,716	144	66,824
Projects	3,397,842	337,597	1,250,331	1,126,372
Subrecipient expenses	374,593	-	1,126,421	-
International freight	30,933	-	275	-
Vehicles and equipment expense	481,205	98,007	25,548	4,559
Office furniture and fixtures	46,322	10,830	2,511	-
Office expense	111,455	23,678	66,790	2,780
Supplies	489,690	-	-	-
Insurance	154,573	30,698	95,087	26,701
Interest	106	589	7	-
New country initiatives	254	-	-	-
Bank charges	22,360	4,103	56,277	849
Books and periodicals	96	2	289	26
Communications	105,950	22,417	91,811	8,277
Security	35,347	5,491	30,215	(497)
Postage	11,188	2,408	9,152	2,929
Printing and copying	79,838	8,742	5,462	1,479
Public relations	3,747	1,455	-	-
Office rent and utilities (Note 8)	314,002	72,356	150,728	44,034
Equipment/vehicle rental, maintenance and fuel	637,485	124,217	187,449	151,716
Training	8,660	34,034	5,482	2,427
Travel	519,256	74,947	168,281	47,712
Membership fees	426	-	2,435	-
Accounting and audit	21,512	13,792	87,244	11,196
Legal fees	3,058	427	18,959	6,953
Bad debt and loan allowance	35	1,694	7,365	-
Other operating expenses	189,088	101,917	22,134	3,468
TOTAL	\$ 10,808,557	\$ 1,848,536	\$ 5,749,277	\$ 2,123,614

See accompanying notes to financial statements.

Supporting Services						
Education and Empowerment	Protection and Human Rights	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses
\$ 347,165	\$ 1,453,327	\$ 8,557,200	\$ 2,472,063	\$ 66,468	\$ 2,538,531	\$ 11,095,731
29,659	17,975	362,820	198,836	10,928	209,764	572,584
-	-	68,746	43,890	-	43,890	112,636
1,758,672	-	2,288,360	-	-	-	2,288,360
395,043	511,006	7,018,191	419	-	419	7,018,610
55,937	354,882	1,911,833	-	-	-	1,911,833
414	155	31,777	-	-	-	31,777
23,944	12,505	645,768	46,863	2,627	49,490	695,258
235	2,037	61,935	3,331	-	3,331	65,266
7,397	49,348	261,448	8,554	1,237	9,791	271,239
4,077	-	493,767	47,683	-	47,683	541,450
23,081	38,710	368,850	162,043	1,262	163,305	532,155
-	1,258	1,960	30,747	-	30,747	32,707
-	-	254	-	-	-	254
2,468	17,089	103,146	25,944	23	25,967	129,113
-	2,782	3,195	1,372	-	1,372	4,567
12,763	52,959	294,177	29,487	268	29,755	323,932
-	8,133	78,689	-	-	-	78,689
1,886	1,131	28,694	6,933	2,312	9,245	37,939
556	4,011	100,088	1,207	1,085	2,292	102,380
2,151	-	7,353	53	1,658	1,711	9,064
44,100	209,488	834,708	347,437	3,631	351,068	1,185,776
30,101	227,297	1,358,265	26,723	71	26,794	1,385,059
388	4,679	55,670	692	-	692	56,362
233,601	87,943	1,131,740	132,441	40	132,481	1,264,221
2,527	-	5,388	33,139	220	33,359	38,747
1,638	30,067	165,449	10,455	-	10,455	175,904
374	-	29,771	10,809	-	10,809	40,580
-	-	9,094	(14,903)	-	(14,903)	(5,809)
18,698	6,388	341,693	139,545	7,169	146,714	488,407
\$ 2,996,875	\$ 3,093,170	\$ 26,620,029	\$ 3,765,763	\$ 98,999	\$ 3,864,762	\$ 30,484,791

See accompanying notes to financial statements.

RELIEF INTERNATIONAL

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

	Program Services			
	Emergency, Health and Sanitation	Food and Agriculture	Livelihoods and Enterprise	Shelter and Infrastructure
Salaries and related benefits (Note 11)	\$ 1,530,874	\$ 431,348	\$ 1,692,048	\$ 590,692
Consultants	55,313	64,736	14,385	500
Depreciation	-	-	-	-
Contributed food and relief commodities	661,892	205,113	-	-
Projects	3,080,293	148,225	1,118,041	713,134
Subrecipient expenses	60,783	16,651	1,031,597	-
International freight	188	-	470	549
Vehicles and equipment expense	163,727	6,175	50,600	1,493
Office furniture and fixtures	160,762	804	4,893	1,986
Office expense	45,790	13,975	33,649	2,991
Supplies	145	-	-	-
Insurance	89,191	36,274	81,320	25,118
Interest	710	-	2,677	-
New country initiatives	-	-	-	-
Bank charges	18,495	2,877	11,297	1,418
Books and periodicals	20	-	298	15
Communications	82,923	20,209	66,184	13,264
Security	11,644	-	33,302	-
Postage	4,014	3,307	10,220	4,550
Printing and copying	12,585	2,084	9,192	1,209
Public relations	1,240	-	-	63
Office rent and utilities (Note 8)	223,190	29,915	123,069	46,721
Equipment/vehicle rental, maintenance and fuel	305,740	99,662	150,237	118,271
Training	2,376	47,841	4,247	206
Travel	173,898	71,373	111,623	25,260
Membership fees	2,217	1,956	1,366	-
Accounting and audit	8,591	11,926	58,701	1,106
Legal fees	4,154	382	197	-
Bad debt and loan allowance	-	-	-	-
Other operating expenses	50,470	44,731	38,636	5,495
TOTAL	\$ 6,751,225	\$ 1,259,564	\$ 4,648,249	\$ 1,554,041

See accompanying notes to financial statements.

		Supporting Services						
Education and Empowerment	Protection and Human Rights	Total Program Services	General and Administrative	Fundraising	Total Supporting Services	Total Expenses		
\$ 704,115	\$ 3,254,352	\$ 8,203,429	\$ 2,740,708	\$ 6,528	\$ 2,747,236	\$ 10,950,665		
36,996	12,980	184,910	134,234	-	134,234	319,144		
-	-	-	65,374	-	65,374	65,374		
354,218	-	1,221,223	-	-	-	1,221,223		
634,366	4,134,641	9,828,700	-	-	-	9,828,700		
6,780	467,083	1,582,894	8,170	-	8,170	1,591,064		
738	865	2,810	198	-	198	3,008		
35,608	14,888	272,491	102,206	-	102,206	374,697		
17,061	7,873	193,379	3,459	-	3,459	196,838		
20,931	64,209	181,545	12,912	-	12,912	194,457		
-	14,997	15,142	73	-	73	15,215		
39,985	153,148	425,036	158,448	291	158,739	583,775		
15	1,328	4,730	26,430	-	26,430	31,160		
-	-	-	8,586	-	8,586	8,586		
5,079	63,163	102,329	19,614	-	19,614	121,943		
37	2,075	2,445	3,255	-	3,255	5,700		
27,768	127,902	338,250	49,961	-	49,961	388,211		
2,156	120,332	167,434	9,904	-	9,904	177,338		
3,174	11,846	37,111	5,810	18	5,828	42,939		
3,500	4,422	32,992	1,858	-	1,858	34,850		
933	1,200	3,436	669	1,047	1,716	5,152		
90,135	384,242	897,272	254,601	4,000	258,601	1,155,873		
52,255	458,165	1,184,330	58,172	33	58,205	1,242,535		
673	85,702	141,045	8,828	-	8,828	149,873		
141,823	389,349	913,326	169,419	-	169,419	1,082,745		
909	2,155	8,603	39,163	-	39,163	47,766		
15,142	47,560	143,026	27,134	-	27,134	170,160		
-	27	4,760	5,676	-	5,676	10,436		
-	-	-	35,202	-	35,202	35,202		
20,093	13,213	172,638	66,888	8	66,896	239,534		
\$ 2,214,490	\$ 9,837,717	\$ 26,265,286	\$ 4,016,952	\$ 11,925	\$ 4,028,877	\$ 30,294,163		

See accompanying notes to financial statements.

RELIEF INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 8,230,257	\$ (1,404,245)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	112,636	65,374
Bad debt (recovery) expense	(2,112)	34,800
Donation of computer equipment and software	(102,300)	-
Unrealized gain on investments	(3,258)	(933)
Transfer of net property and equipment through merger	-	(28,025)
Receipt of donated property	-	(126,000)
(Increase) decrease in:		
Grants receivable	3,046,640	4,359,214
Other receivables	10,763	(7,717)
Prepaid expenses and other assets	17,053	(7,245)
Inventory	(7,747,658)	(99,147)
Security deposits	(1,930)	(20,119)
Increase (decrease) in:		
Accounts payable and accrued expenses	860,669	1,040,265
Refundable advances	<u>153,803</u>	<u>-</u>
Net cash provided by operating activities	<u>4,574,563</u>	<u>3,806,222</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(100,639)</u>	<u>(27,137)</u>
Net cash used by investing activities	<u>(100,639)</u>	<u>(27,137)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net disbursements of micro-credit loans receivable	(3,132,034)	(2,222,425)
Cash received from loans payable	-	-
Repayments on loans payable	-	-
Net cash outlays on behalf of Relief International-UK	(347,445)	(16,113)
Loan repayments received from Relief International-UK	400,000	-
Repayments on line of credit	(1,150,000)	(675,000)
Cash drawn on line of credit	<u>909,991</u>	<u>1,175,000</u>
Net cash used by financing activities	<u>(3,319,488)</u>	<u>(1,738,538)</u>
Net increase in cash and cash equivalents	1,154,436	2,040,547
Cash and cash equivalents at beginning of year	<u>4,176,910</u>	<u>2,136,363</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 5,331,346</u>	<u>\$ 4,176,910</u>

See accompanying notes to financial statements.

RELIEF INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	\$ <u>32,082</u>	\$ <u>31,161</u>

RELIEF INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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, Azerbaijan, Bangladesh, Ghana, Guinea, Haiti, Indonesia, Iran, Iraq, Jordan, Kenya, Lebanon, Myanmar, Niger, Nigeria, Pakistan, occupied Palestinian territories, Philippines, Senegal, Somalia, Sri Lanka, Sudan, Tajikistan, Tanzania, Uganda and Yemen. 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. For the year ended December 31, 2010, the financial statements of Relief International - U.K. (Note 4) have been combined with Relief International in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. The combined financial statements are available at Relief International's headquarters.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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

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 \$2,983,694 and \$2,081,597 in cash and cash equivalents held at financial institutions and on hand in foreign countries at December 31, 2010 and 2009, 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.

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 fair 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 \$5,000 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 \$5,000) 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 7).

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 6). The property has not been sold as of December 31, 2010, 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 years ended December 31, 2010 and 2009, Relief International recorded \$1,513 and \$2,887, respectively, of depreciation expense on the building.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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

Property and equipment (continued) -

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 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, 2010 and 2009, 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 years ended December 31, 2010 and 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.

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, 2010 and 2009, Relief International received \$10,132,881 (\$10,235,181 total in-kind revenue, less \$102,300 of donated vehicles) and \$1,320,370 (\$1,377,077 total in-kind revenue, less \$56,707 of donated office supplies) in commodities, respectively, of which \$2,288,360 and \$1,221,223, respectively, were distributed as of fiscal year-end.

As of December 31, 2010 and 2009, total inventory on hand aggregated \$7,880,568 and \$132,910, respectively.

RELIEF INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

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

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.

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 \$10,235,181 and \$1,377,077, 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, 2010 and 2009, 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.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

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

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.

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, 2010 and 2009:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Common Stock	\$ <u>11,577</u>	\$ <u>11,689</u>	\$ <u>11,577</u>	\$ <u>8,431</u>

During the year ended December 31, 2010, Relief International had an unrealized gain on its investments totaling \$3,258. During the year ended December 31, 2009, Relief International had an unrealized gain on its investments totaling \$933. The unrealized gain 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, 2010 and 2009, total borrowings (including accrued interest), net of uncollectible balances of \$6,674 and \$6,674, aggregated \$330,912 and \$385,151, 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, 2010 and 2009, total borrowings, net of uncollectible balances of \$238,333 and \$261,052, aggregated \$143,644 and \$149,867, respectively.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

3. LOANS RECEIVABLE (Continued)

Relief International maintains several micro-credit loans in Iraq (this portfolio represents approximately 79.7% and 75.1% of Relief International's net loans receivable worldwide as of December 31, 2010 and 2009, 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 \$172,839 and \$145,671, aggregated \$7,888,012 and \$5,078,352 as of December 31, 2010 and 2009, 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 \$38,084 and \$42,533, aggregated \$535,688 and \$652,852 as of December 31, 2010 and 2009, respectively.

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, 2011. 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. As of December 31, 2010, Relief International obligated and transferred the balance of each agreement to the lending institutions (\$250,000 per institution), therefore the total loans receivable aggregated \$1,000,000.

4. 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 2010 and 2009, Relief International provided \$347,445 and \$16,113, respectively, of financing to RI-UK; also, during 2010, RI-UK repaid \$400,000 of the prior year balance due to Relief International. As of December 31, 2010 and 2009, the aggregate amount due from RI-UK totaled \$553,218 and \$605,773, respectively.

5. LINES OF CREDIT

On July 9, 2009, Relief International opened a \$1,125,000 line of credit with a local financial institution. Amounts borrowed under this agreement bear interest of the bank's prime rate plus 0.25% (4.50% and 4.50% at December 31, 2010 and 2009, respectively). Interest is assessed on a monthly basis. All accounts receivable have been pledged as collateral. At December 31, 2010 and 2009, the total amount due on the line of credit aggregated \$530,000 and \$850,000, respectively.

RELIEF INTERNATIONAL

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009**

5. LINES OF CREDIT (Continued)

On July 21, 2010, Relief International entered into a revolving loan agreement with the Azerbaijan Ministry of Agriculture for the purpose of providing additional lending capital to the beneficiaries of its rural microlending activities. The loan bears interest of 2% and is assessed quarterly. As of December 31, 2010, the total amount due on the line of credit aggregated \$79,991.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2010 and 2009:

	2010	2009
Emergency, Health and Sanitation	\$ 11,213,738	\$ 11,629,603
Food and Agriculture	9,226,729	847,048
Livelihoods and Enterprise	12,871,335	12,874,271
Shelter and Infrastructure	14,341	33,006
Education and Empowerment *	3,313,233	1,892,611
Protection and Human Rights	2,500,807	3,641,620
	\$ 39,140,183	\$ 30,918,159

* Included in the "Education and Empowerment" total is the full value of the donated property noted in Footnote 1. At December 31, 2010, the value of this restricted property totaled \$126,000.

7. 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:

	2010	2009
Emergency, Health and Sanitation	\$ 12,055,985	\$ 6,417,503
Food and Agriculture	1,236,995	654,352
Livelihoods and Enterprise	6,007,269	5,415,643
Shelter and Infrastructure	797,756	1,386,359
Education and Empowerment	3,048,080	2,181,200
Protection and Human Rights	3,182,092	11,398,895
	\$ 26,328,177	\$ 27,453,952

8. LEASE COMMITMENTS

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.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

8. LEASE COMMITMENTS (Continued)

Total rent expense (including foreign country offices utilities and related costs) for the years ended December 31, 2010 and 2009 was \$1,185,776 and \$1,155,873, respectively.

Future minimum lease payments required under long-term lease agreements are as follows:

Year Ended December 31,

2011	\$ 386,761
2012	308,496
2013	<u>129,152</u>
	<u>\$ 824,409</u>

9. 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 2010. 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 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, 2010 and 2009, Relief International had cash and other assets in Afghanistan, Azerbaijan, Bangladesh, Ghana, Guinea, Haiti, Indonesia, Iran, Iraq, Jordan, Kenya, Lebanon, Myanmar, Niger, Nigeria, Pakistan, occupied Palestinian territories, Philippines, Senegal, Somalia, Sri Lanka, Sudan, Tajikistan, Tanzania, Uganda and Yemen, totaling approximately \$22,000,000 and \$9,900,000, respectively, which represents 51% and 29% of Relief International's total assets as of December 31, 2010 and 2009, respectively.

10. ECONOMIC DEPENDENCY

Approximately 72% and 83% of Relief International's unrestricted support and revenue (excluding contributed food and relief commodities) for the years ended December 31, 2010 and 2009, respectively, was derived from grants and contracts awarded by the United States Government and various pass-through entities.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2010 AND 2009

10. ECONOMIC DEPENDENCY (Continued)

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.

11. 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, 2010 and 2009, the retirement plan expense totaled \$82,417 and \$43,990, 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 years ended December 31, 2010 and 2009, Relief International contributed \$0 and \$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, 2010 and 2009, the total amount of \$500,000 has been recorded as an accrued liability in the accompanying Statements of Financial Position.

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.

RELIEF INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009

12. FAIR VALUE MEASUREMENTS (Continued)

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, 2010 and 2009:

	2010			
	Level 1	Level 2	Level 3	Total
Asset Category - Investments	\$ <u>11,689</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>11,689</u>

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

13. SUBSEQUENT EVENTS

In preparing these financial statements, Relief International has evaluated events and transactions for potential recognition or disclosure through July 26, 2011, the date the financial statements were issued.