

**FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2012 AND 2011**

# RELIEF INTERNATIONAL

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Relief International  
Los Angeles, California

We have audited the accompanying financial statements of Relief International, which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows 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 audits in accordance with auditing standards generally accepted in the United States of America. 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.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## 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, 2012 and 2011, 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.

*Gelman Rosenberg & Freedman*

January 27, 2014

**RELIEF INTERNATIONAL**  
**STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2012 AND 2011**

**ASSETS**

|  | <u>2012</u>                 | <u>2011</u>                 |
|--|-----------------------------|-----------------------------|
| Cash and cash equivalents  | \$ 2,909,233                | \$ 3,583,660                |
| Investments  | 11,171                      | 10,255                      |
| Loans receivable, net of allowance of \$1,481,035 in 2012<br>and \$185,525 in 2011 (Note 2)                    | 9,437,283                   | 11,036,908                  |
| Due from Relief International - UK (Note 3)  | 1,767,184                   | -                           |
| Grants receivable:   |                             |                             |
| Federal  | 1,019,787                   | 958,598                     |
| Non-Federal (Note 4)   | 780,226                     | 2,700,046                   |
| Accounts receivable (Note 5)   | 3,121,369                   | 1,623,764                   |
| Prepaid expenses and other assets  | 128,091                     | 187,083                     |
| Inventory  | 79,654                      | 6,198,177                   |
| Property and equipment, net of accumulated depreciation<br>of \$710,066 in 2012 and \$627,364 in 2011 (Note 6) | 40,269                      | 235,902                     |
| Security deposits  | 40,609                      | 30,258                      |
| Intangible asset (Note 15)   | -                           | <u>1,000,000</u>            |
| <b>TOTAL ASSETS</b>  | <b><u>\$ 19,334,876</u></b> | <b><u>\$ 27,564,651</u></b> |

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

|   |                  |                  |
|---|------------------|------------------|
| Lines of credit (Note 7)                        | \$ 1,396,686     | \$ 1,059,430     |
| Due to Relief International - UK (Note 3)       | -                | 366,451          |
| Accounts payable and accrued expenses (Note 14) | 3,331,699        | 2,878,256        |
| Refundable advances (Note 13)                   | <u>1,117,242</u> | <u>267,613</u>   |
| Total liabilities                               | <u>5,845,627</u> | <u>4,571,750</u> |

**NET ASSETS**

|   |                             |                             |
|---|-----------------------------|-----------------------------|
| Unrestricted                            | 1,723,441                   | 1,422,926                   |
| Temporarily restricted (Note 8 and 13)  | <u>11,765,808</u>           | <u>21,569,975</u>           |
| Total net assets                        | <u>13,489,249</u>           | <u>22,992,901</u>           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b><u>\$ 19,334,876</u></b> | <b><u>\$ 27,564,651</u></b> |

**RELIEF INTERNATIONAL**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

|   | <b>2012</b>                |   |                             |
|---|----------------------------|---|-----------------------------|
|   | <b>Unrestricted</b>        | <b>Temporarily<br/>Restricted<br/>(Note 13)</b> | <b>Total</b>                |
| <b>SUPPORT AND REVENUE</b>                              |                            |   |                             |
| Grants and contributions (Notes 11 and 12)              | \$ 20,281,595              | \$ 412,134                                      | \$ 20,693,729               |
| Carbon credit income (Notes 5 and 15)                   | 1,368,862                  | -   | 1,368,862                   |
| Program income  | 83,330                     | -   | 83,330                      |
| Loan interest income                                    | -                          | 2,752,373                                       | 2,752,373                   |
| Contributed goods and services                          | 322,055                    | -   | 322,055                     |
| Interest and investment income                          | 3,415                      | -   | 3,415                       |
| Other revenue   | (21,633)                   | -   | (21,633)                    |
| Net assets released from donor restrictions<br>(Note 9) | <u>12,930,178</u>          | <u>(12,930,178)</u>                             | <u>-</u>                    |
| Total support and revenue                               | <u>34,967,802</u>          | <u>(9,765,671)</u>                              | <u>25,202,131</u>           |
| <b>EXPENSES</b>   |                            |   |                             |
| Program Services:                                       |                            |   |                             |
| Emergency, Health and Sanitation                        | 9,641,473                  | -   | 9,641,473                   |
| Food and Agriculture                                    | 10,076,737                 | -   | 10,076,737                  |
| Livelihoods and Enterprise                              | 5,394,151                  | -   | 5,394,151                   |
| Shelter and Infrastructure                              | 176,392                    | -   | 176,392                     |
| Education and Empowerment                               | 2,310,959                  | -   | 2,310,959                   |
| Protection and Human Rights                             | <u>771,656</u>             | <u>-</u>  | <u>771,656</u>              |
| Total program services                                  | <u>28,371,368</u>          | <u>-</u>  | <u>28,371,368</u>           |
| Supporting Services:                                    |                            |   |                             |
| General and Administrative                              | 3,986,659                  | -   | 3,986,659                   |
| Fundraising   | <u>178,832</u>             | <u>-</u>  | <u>178,832</u>              |
| Total supporting services                               | <u>4,165,491</u>           | <u>-</u>  | <u>4,165,491</u>            |
| Total expenses  | <u>32,536,859</u>          | <u>-</u>  | <u>32,536,859</u>           |
| Changes in net assets before other items                | 2,430,943                  | (9,765,671)                                     | (7,334,728)                 |
| <b>OTHER ITEMS</b>                                      |                            |   |                             |
| Bad debt expense  | (2,130,428)                | -   | (2,130,428)                 |
| Funds returned to donor                                 | <u>-</u>                   | <u>(38,496)</u>                                 | <u>(38,496)</u>             |
| Changes in net assets                                   | 300,515                    | (9,804,167)                                     | (9,503,652)                 |
| Net assets at beginning of year, as restated (Note 13)  | <u>1,422,926</u>           | <u>21,569,975</u>                               | <u>22,992,901</u>           |
| <b>NET ASSETS AT END OF YEAR</b>                        | <b><u>\$ 1,723,441</u></b> | <b><u>\$ 11,765,808</u></b>                     | <b><u>\$ 13,489,249</u></b> |

See accompanying notes to financial statements.

| <b>2011</b>                |   |                             |
|----------------------------|---|-----------------------------|
| <b>Unrestricted</b>        | <b>Temporarily<br/>Restricted<br/>(Note 13)</b> | <b>Total</b>                |
| \$ 19,509,135              | \$ 2,877,615                                    | \$ 22,386,750               |
| 2,316,092                  | -   | 2,316,092                   |
| -                          | -   | -                           |
| -                          | 3,057,715                                       | 3,057,715                   |
| 25,640                     | 2,520,303                                       | 2,545,943                   |
| 10,744                     | -   | 10,744                      |
| 88,030                     | -   | 88,030                      |
| <u>12,095,368</u>          | <u>(12,095,368)</u>                             | <u>-</u>                    |
| <u>34,045,009</u>          | <u>(3,639,735)</u>                              | <u>30,405,274</u>           |
| 11,629,196                 | -   | 11,629,196                  |
| 5,585,672                  | -   | 5,585,672                   |
| 6,059,348                  | -   | 6,059,348                   |
| 1,299,261                  | -   | 1,299,261                   |
| 1,986,189                  | -   | 1,986,189                   |
| <u>2,093,660</u>           | <u>-</u>  | <u>2,093,660</u>            |
| <u>28,653,326</u>          | <u>-</u>  | <u>28,653,326</u>           |
| 4,089,252                  | -   | 4,089,252                   |
| <u>161,830</u>             | <u>-</u>  | <u>161,830</u>              |
| <u>4,251,082</u>           | <u>-</u>  | <u>4,251,082</u>            |
| <u>32,904,408</u>          | <u>-</u>  | <u>32,904,408</u>           |
| 1,140,601                  | (3,639,735)                                     | (2,499,134)                 |
| (128,943)                  | -   | (128,943)                   |
| <u>-</u>                   | <u>(137,500)</u>                                | <u>(137,500)</u>            |
| 1,011,658                  | (3,777,235)                                     | (2,765,577)                 |
| <u>411,268</u>             | <u>25,347,210</u>                               | <u>25,758,478</u>           |
| <b><u>\$ 1,422,926</u></b> | <b><u>\$ 21,569,975</u></b>                     | <b><u>\$ 22,992,901</u></b> |

See accompanying notes to financial statements.

**RELIEF INTERNATIONAL**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

|   | <b>Program Services</b>                         |                                 |   |                                       |
|---|---|---------------------------------|---|---------------------------------------|
|   | <b>Emergency,<br/>Health and<br/>Sanitation</b> | <b>Food and<br/>Agriculture</b> | <b>Livelihoods<br/>and<br/>Enterprise</b> | <b>Shelter and<br/>Infrastructure</b> |
| Salaries and related benefits (Note 14)           | \$ 2,514,238                                    | \$ 909,459                      | \$ 2,654,812                              | \$ 70,677                             |
| Consultants                                       | 29,592  | 87,544                          | 181,031                                   | 1,479                                 |
| Depreciation                                      | 72,386  | -                               | -   | -                                     |
| Donated food and relief commodities               | 403,166   | 5,948,813                       | -   | 6,075                                 |
| Projects  | 1,782,230                                       | 61,417                          | 630,501                                   | 81,131                                |
| Subrecipient expenses                             | 2,840,034                                       | -                               | 50,372                                    | -                                     |
| International freight                             | 29,401  | 86                              | 1,259                                     | -                                     |
| Vehicles and equipment expense                    | 274,912   | 91,239                          | 99,940                                    | -                                     |
| Office furniture and fixtures                     | 15,930  | 13,684                          | 12,967                                    | -                                     |
| Office expense                                    | 69,105  | 30,018                          | 93,410                                    | 12                                    |
| Supplies  | 83,461  | 2,102,560                       | 5   | -                                     |
| Insurance   | 223,792   | 71,691                          | 234,384                                   | 3,301                                 |
| Interest  | 7   | 423                             | 4,829                                     | -                                     |
| Bank charges                                      | 28,512  | 2,222                           | 25,114                                    | 60                                    |
| Books and periodicals                             | 141   | -                               | -   | -                                     |
| Communications                                    | 62,760  | 29,131                          | 105,396                                   | -                                     |
| Security  | 6,372   | 30,362                          | 108,980                                   | -                                     |
| Postage   | 7,234   | 6,963                           | 6,844                                     | -                                     |
| Printing and copying                              | 7,529   | 14,343                          | 12,307                                    | -                                     |
| Public relations                                  | 11,261  | 30,703                          | 2,286                                     | -                                     |
| Office rent and utilities (Note 10)               | 245,137   | 139,898                         | 291,013                                   | 5,935                                 |
| Equipment/vehicle rental, maintenance<br>and fuel | 320,413   | 177,489                         | 459,273                                   | 293                                   |
| Training  | 9,143   | 7,183                           | 12,573                                    | -                                     |
| Travel  | 362,130   | 140,676                         | 280,441                                   | 4,490                                 |
| Membership fees                                   | 150   | -                               | 11,325                                    | -                                     |
| Accounting and audit                              | 69,783  | 21,920                          | 68,343                                    | 2,725                                 |
| Legal fees  | 10,159  | 7,548                           | 8,215                                     | -                                     |
| Other operating expenses                          | 162,495   | 151,365                         | 38,531                                    | 214                                   |
| <b>TOTAL</b>                                      | <b>\$ 9,641,473</b>                             | <b>\$ 10,076,737</b>            | <b>\$ 5,394,151</b>                       | <b>\$ 176,392</b>                     |

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       |
| \$ 399,513                | \$ 255,155                  | \$ 6,803,854           | \$ 2,587,332               | \$ 93,825         | \$ 2,681,157              | \$ 9,485,011         |
| 202,799                   | 5,000                       | 507,445                | 92,537                     | 8,669             | 101,206                   | 608,651              |
| 35                        | -                           | 72,421                 | 18,939                     | -                 | 18,939                    | 91,360               |
| -                         | 2,708                       | 6,360,762              | -                          | -                 | -                         | 6,360,762            |
| 41,985                    | 205,585                     | 2,802,849              | -                          | -                 | -                         | 2,802,849            |
| 1,017,949                 | 108,631                     | 4,016,986              | -                          | -                 | -                         | 4,016,986            |
| 126                       | -                           | 30,872                 | -                          | -                 | -                         | 30,872               |
| 46,264                    | 1,048                       | 513,403                | 14,318                     | 7,186             | 21,504                    | 534,907              |
| 7,281                     | -                           | 49,862                 | 483                        | -                 | 483                       | 50,345               |
| 8,481                     | 6,896                       | 207,922                | 17,226                     | 187               | 17,413                    | 225,335              |
| 10                        | -                           | 2,186,036              | 565                        | 13                | 578                       | 2,186,614            |
| 39,196                    | 27,206                      | 599,570                | 232,500                    | 7,961             | 240,461                   | 840,031              |
| 12                        | -                           | 5,271                  | 48,436                     | 4,184             | 52,620                    | 57,891               |
| 1,272                     | 1,194                       | 58,374                 | 15,806                     | 1,308             | 17,114                    | 75,488               |
| -                         | -                           | 141                    | 1,772                      | -                 | 1,772                     | 1,913                |
| 13,117                    | 10,746                      | 221,150                | 27,948                     | -                 | 27,948                    | 249,098              |
| 3,005                     | 2,925                       | 151,644                | 549                        | -                 | 549                       | 152,193              |
| 924                       | 1,531                       | 23,496                 | 4,998                      | 759               | 5,757                     | 29,253               |
| 6,975                     | 1,007                       | 42,161                 | 2,383                      | 1,600             | 3,983                     | 46,144               |
| 2,669                     | -                           | 46,919                 | 671                        | 10,518            | 11,189                    | 58,108               |
| 70,810                    | 38,231                      | 791,024                | 347,768                    | 15,443            | 363,211                   | 1,154,235            |
| 57,926                    | 31,580                      | 1,046,974              | 11,682                     | 159               | 11,841                    | 1,058,815            |
| 329                       | -                           | 29,228                 | 9,480                      | -                 | 9,480                     | 38,708               |
| 294,859                   | 30,601                      | 1,113,197              | 172,227                    | 12,664            | 184,891                   | 1,298,088            |
| 400                       | 250                         | 12,125                 | 8,865                      | -                 | 8,865                     | 20,990               |
| 16,416                    | 15,998                      | 195,185                | 121,454                    | 1,596             | 123,050                   | 318,235              |
| 10,259                    | 45                          | 36,226                 | 87,396                     | -                 | 87,396                    | 123,622              |
| 68,347                    | 25,319                      | 446,271                | 161,324                    | 12,760            | 174,084                   | 620,355              |
| <b>\$ 2,310,959</b>       | <b>\$ 771,656</b>           | <b>\$ 28,371,368</b>   | <b>\$ 3,986,659</b>        | <b>\$ 178,832</b> | <b>\$ 4,165,491</b>       | <b>\$ 32,536,859</b> |

**RELIEF INTERNATIONAL**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

|   | <b>Program Services</b>                         |                                 |   |                                       |
|---|---|---------------------------------|---|---------------------------------------|
|   | <b>Emergency,<br/>Health and<br/>Sanitation</b> | <b>Food and<br/>Agriculture</b> | <b>Livelihoods<br/>and<br/>Enterprise</b> | <b>Shelter and<br/>Infrastructure</b> |
| Salaries and related benefits (Note 14)           | \$ 2,857,481                                    | \$ 541,869                      | \$ 2,327,372                              | \$ 483,072                            |
| Consultants                                       | 69,192  | 25,814                          | 129,327                                   | 2,418                                 |
| Depreciation                                      | 63,205  | -                               | -   | -                                     |
| Donated food and relief commodities               | 512,683   | 2,749,447                       | -   | 24,655                                |
| Projects  | 3,490,898                                       | 1,407,984                       | 854,811                                   | 602,718                               |
| Subrecipient expenses                             | 1,661,224                                       | -                               | 1,384,773                                 | -                                     |
| International freight                             | 12,355  | 360                             | -   | -                                     |
| Vehicles and equipment expense                    | 177,669   | 62,028                          | 52,833                                    | 126                                   |
| Office furniture and fixtures                     | 21,058  | 4,194                           | 2,988                                     | -                                     |
| Office expense                                    | 60,951  | 30,830                          | 100,063                                   | 685                                   |
| Supplies  | 805,064   | 373                             | -   | -                                     |
| Insurance   | 151,944   | 26,550                          | 117,893                                   | 20,392                                |
| Interest  | 358   | 691                             | 285                                       | -                                     |
| New country initiatives                           | 55  | -                               | -   | -                                     |
| Bank charges                                      | 20,914  | 1,457                           | 23,957                                    | 147                                   |
| Books and periodicals                             | 1,050   | 4                               | 72  | -                                     |
| Communications                                    | 84,138  | 20,021                          | 96,413                                    | 2,888                                 |
| Security  | 17,823  | 22,589                          | 56,958                                    | -                                     |
| Postage   | 23,823  | 1,440                           | 13,616                                    | 141                                   |
| Printing and copying                              | 20,289  | 10,420                          | 10,489                                    | 596                                   |
| Public relations                                  | 9,794   | 14,052                          | 60  | -                                     |
| Office rent and utilities (Note 10)               | 350,598   | 178,948                         | 213,527                                   | 33,401                                |
| Equipment/vehicle rental, maintenance<br>and fuel | 447,539   | 299,756                         | 252,956                                   | 89,879                                |
| Training  | 31,018  | 94                              | 149,309                                   | -                                     |
| Travel  | 379,995   | 137,306                         | 208,244                                   | 21,386                                |
| Membership fees                                   | 1,434   | -                               | 7,800                                     | -                                     |
| Accounting and audit                              | 61,401  | 2,348                           | 18,895                                    | 3,952                                 |
| Legal fees  | 6,844   | 5,421                           | 11,452                                    | -                                     |
| Other operating expenses                          | 288,399   | 41,676                          | 25,255                                    | 12,805                                |
| <b>TOTAL</b>                                      | <b>\$ 11,629,196</b>                            | <b>\$ 5,585,672</b>             | <b>\$ 6,059,348</b>                       | <b>\$ 1,299,261</b>                   |

| Supporting Services       |                             |                        |                            |                   |                           |                      |
|---------------------------|-----------------------------|------------------------|----------------------------|-------------------|---------------------------|----------------------|
| Education and Empowerment | Protection and Human Rights | Total Program Services | General and Administrative | Fundraising       | Total Supporting Services | Total Expenses       |
| \$ 387,899                | \$ 973,275                  | \$ 7,570,968           | \$ 2,659,962               | \$ 99,400         | \$ 2,759,362              | \$ 10,330,330        |
| 21,042                    | 1,810                       | 249,603                | 109,654                    | 2,465             | 112,119                   | 361,722              |
| -                         | -                           | 63,205                 | 17,580                     | -                 | 17,580                    | 80,785               |
| 868,333                   | -                           | 4,155,118              | -                          | -                 | -                         | 4,155,118            |
| 44,731                    | 215,726                     | 6,616,868              | -                          | -                 | -                         | 6,616,868            |
| 121,239                   | 415,256                     | 3,582,492              | -                          | -                 | -                         | 3,582,492            |
| 498                       | 296                         | 13,509                 | -                          | -                 | -                         | 13,509               |
| 80,800                    | 15,354                      | 388,810                | 38,710                     | -                 | 38,710                    | 427,520              |
| 31,940                    | 1,985                       | 62,165                 | 2,620                      | -                 | 2,620                     | 64,785               |
| 11,406                    | 15,312                      | 219,247                | 16,689                     | 540               | 17,229                    | 236,476              |
| 2,198                     | -                           | 807,635                | 106                        | -                 | 106                       | 807,741              |
| 29,523                    | 31,460                      | 377,762                | 229,389                    | 5,232             | 234,621                   | 612,383              |
| 433                       | -                           | 1,767                  | 46,124                     | -                 | 46,124                    | 47,891               |
| -                         | -                           | 55                     | 3,856                      | -                 | 3,856                     | 3,911                |
| 773                       | 5,981                       | 53,229                 | 30,889                     | 595               | 31,484                    | 84,713               |
| 723                       | -                           | 1,849                  | 2,011                      | -                 | 2,011                     | 3,860                |
| 15,823                    | 37,726                      | 257,009                | 39,945                     | 276               | 40,221                    | 297,230              |
| -                         | 1,945                       | 99,315                 | 4,516                      | -                 | 4,516                     | 103,831              |
| 931                       | 1,233                       | 41,184                 | 8,206                      | 715               | 8,921                     | 50,105               |
| 25,874                    | 1,281                       | 68,949                 | 2,335                      | 4,748             | 7,083                     | 76,032               |
| 1,494                     | 1,008                       | 26,408                 | 7,135                      | 14,094            | 21,229                    | 47,637               |
| 45,755                    | 135,430                     | 957,659                | 366,729                    | 13,059            | 379,788                   | 1,337,447            |
| 51,506                    | 167,326                     | 1,308,962              | 18,034                     | 141               | 18,175                    | 1,327,137            |
| 310                       | 8,357                       | 189,088                | 820                        | -                 | 820                       | 189,908              |
| 211,269                   | 41,538                      | 999,738                | 226,324                    | 1,816             | 228,140                   | 1,227,878            |
| -                         | 3,333                       | 12,567                 | 38,853                     | -                 | 38,853                    | 51,420               |
| 3,599                     | 4,575                       | 94,770                 | 31,660                     | -                 | 31,660                    | 126,430              |
| 1,251                     | 3,309                       | 28,277                 | 39,683                     | 450               | 40,133                    | 68,410               |
| 26,839                    | 10,144                      | 405,118                | 147,422                    | 18,299            | 165,721                   | 570,839              |
| <b>\$ 1,986,189</b>       | <b>\$ 2,093,660</b>         | <b>\$ 28,653,326</b>   | <b>\$ 4,089,252</b>        | <b>\$ 161,830</b> | <b>\$ 4,251,082</b>       | <b>\$ 32,904,408</b> |

See accompanying notes to financial statements.

**RELIEF INTERNATIONAL**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

|  | <u>2012</u>                | <u>2011</u>                |
|--|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |                            |                            |
| Changes in net assets  | \$ (9,503,652)             | \$ (2,765,577)             |
| Adjustments to reconcile changes in net assets to net cash used by operating activities: |                            |                            |
| Depreciation   | 91,360                     | 80,785                     |
| Loss on disposal of building   | 21,633                     | -                          |
| Change in allowance for bad debt (recovery)  | 1,295,510                  | (270,405)                  |
| Unrealized (gain) loss on investments  | (916)                      | 1,434                      |
| Receipt of donated commodities   | (242,240)                  | (2,520,303)                |
| Distribution of donated commodities  | 6,360,763                  | 4,155,118                  |
| Recognition of intangible asset  | 1,000,000                  | (1,000,000)                |
| Conversion of loans to sub-awards  | -                          | 1,000,000                  |
| (Increase) decrease in:  |                            |                            |
| Grants receivable  | 1,858,631                  | 2,449,836                  |
| Accounts receivables   | (1,497,605)                | (1,447,167)                |
| Prepaid expenses and other assets  | 58,992                     | (52,944)                   |
| Inventory  | -                          | 47,576                     |
| Net cash repayments from Relief International - UK                                       | (2,133,635)                | -                          |
| Security deposits  | (10,351)                   | 13,985                     |
| Increase (decrease) in:  |                            |                            |
| Accounts payable and accrued expenses  | 453,443                    | (76,729)                   |
| Refundable advances  | 849,629                    | (557,051)                  |
| Net cash outlays to Relief International - UK  | <u>-</u>                   | <u>919,669</u>             |
| Net cash used by operating activities  | <u>(1,398,438)</u>         | <u>(21,773)</u>            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |                            |                            |
| Purchases of property and equipment  | (13,110)                   | (36,700)                   |
| Proceeds from sale of property and equipment   | 95,750                     | -                          |
| Net disbursements of micro-credit loans receivable                                       | <u>304,115</u>             | <u>(2,138,652)</u>         |
| Net cash provided (used) by investing activities   | <u>386,755</u>             | <u>(2,175,352)</u>         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |                            |                            |
| Repayments on lines of credit  | (1,604,601)                | (611,731)                  |
| Cash drawn on lines of credit  | <u>1,941,857</u>           | <u>1,061,170</u>           |
| Net cash provided by financing activities  | <u>337,256</u>             | <u>449,439</u>             |
| Net decrease in cash and cash equivalents  | (674,427)                  | (1,747,686)                |
| Cash and cash equivalents at beginning of year   | <u>3,583,660</u>           | <u>5,331,346</u>           |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>  | <b><u>\$ 2,909,233</u></b> | <b><u>\$ 3,583,660</u></b> |

See accompanying notes to financial statements.

RELIEF INTERNATIONAL  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

|                                 | <u>2012</u>      | <u>2011</u>      |
|---------------------------------|------------------|------------------|
| <b>SUPPLEMENTAL INFORMATION</b> |                  |                  |
| Interest Paid                   | \$ <u>57,891</u> | \$ <u>47,891</u> |

## RELIEF INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

#### 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.

##### 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*.

##### 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 approximately \$2,500,000 and \$3,000,000 in cash and cash equivalents held at financial institutions and on hand in foreign countries at December 31, 2012 and 2011, 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.

Through December 31, 2012, the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act") provides temporary unlimited deposit insurance coverage for non-interest bearing transaction accounts at all Federal Deposit Insurance Corporation (FDIC) insured depository institutions (the "Dodd-Frank Deposit Insurance Provision"). Relief International maintains a portion of its cash balances at financial institutions in non-interest bearing accounts; thereby, all of these cash balances are protected by FDIC under this Act.

##### Accounts receivable -

Accounts receivable is comprised of interest receivable, advances to staff, carbon credits and sub-contractors receivable. All amounts are stated at their fair value and management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established.

## RELIEF INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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

##### Grants receivable -

Grants receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

##### Investments -

Investments are recorded at their readily determinable fair value. Common stock is valued at the closing price reported on the active market in which the individual securities are traded (Level 1). Realized and unrealized gains and losses are included in investment income in the Statements of Activities and Changes in Net Assets.

##### 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 are depreciated over their estimated useful lives; accordingly an amount equal to depreciation expense on the donated assets is also recorded as net assets released from restrictions (Note 9).

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). The property was sold during 2012.

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 relief and 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, 2012 and 2011, Relief International did not generate any unrelated business income.

## RELIEF INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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

##### Uncertain tax positions -

For the years ended December 31, 2012 and 2011, Relief International has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

##### 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.

##### 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, 2012 and 2011, Relief International received \$242,240 and \$2,520,303 in commodities, respectively, of which \$6,360,763 and \$4,155,118, respectively, were distributed to beneficiaries as of each fiscal year-end. In addition, during the year ended December 31, 2011, Relief International transferred \$47,576 of commodities to RI-UK (Note 3). As of December 31, 2012 and 2011, total inventory on hand aggregated \$79,654 and \$6,198,177, 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.

##### Revenue recognition: Grants, contributions and contracts -

Grants and contracts that are awarded to Relief International from U.S. Government agencies and pass-through agencies are accounted for as exchange transactions and revenue is recognized when qualifying expenditures related to specified programs are incurred.



## RELIEF INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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

Revenue recognition: Grants, contributions and contracts (continued) -

When funds are received in advance of incurring qualified expenditures, the unspent funds are recorded as refundable advances. When qualifying expenditures are incurred prior to receiving funds from the U.S. Government (including pass-through agencies), a receivable is recorded as due from U.S. Government or pass-through agencies.

Grants and contributions that are awarded to Relief International from Non-Federal organizations are generally accounted for as contributions and are recorded as temporarily restricted grant and contribution revenue upon notice of the award. Temporarily restricted grants and contributions are recognized as unrestricted revenue (released from restrictions) when either qualifying expenditures are incurred or through the passage of time.

Contracts awarded to relief International by Non-Federal organizations are accounted for as exchange transactions and revenue is recognized when qualifying expenditures are incurred

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 \$322,055 and \$2,545,943, 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, 2012 and 2011, 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.

Write-off policy -

Relief International will write-off a loan (and any related allowance for impairment losses) when management determines that the loans and advances to customer are uncollectable.

This determination is reached after considering information, such as the occurrence of significant changes in the borrower's financial position, such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

## RELIEF INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

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

##### Currency risk -

Relief International is exposed to currency risk through transactions in foreign currencies against the U.S. Dollar (USD). There is also a statement of financial position risk that the net monetary liabilities in foreign currencies will take a higher value when translated into USD's as a result of currency movements.

##### Market risk -

Market risk is defined as external influences, generally outside of the control of the organization's executive management, but which can be identified, assessed and mitigating actions put in place to reduce any adverse impact.

##### Credit risk -

Credit risk is the risk of financial loss to Relief International if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from Relief International's lending activity.

Relief International takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Allowances for impairment are accounted for where there is objective evidence that the loans and advances to customers are impaired.

Significant changes in the economy, depreciation of local currencies against the currencies of the indexed portfolios, or in the health of a particular industry segment, could result in evidence that the expected future cash flows are different from those provided for at the end of the reporting period. Management, therefore, carefully monitors and manages its exposure to credit risk.

##### Fair value measurement -

Relief International adopted the provisions of FASB ASC 820, *Fair Value Measurement*. 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. 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, 2012 and 2011, total borrowings (including accrued interest), net of allowance of \$18,059 and \$21,758, aggregated \$391,530 and \$375,272, respectively.

## RELIEF INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

#### 2. LOANS RECEIVABLE (Continued)

Relief International previously maintained several micro-credit loans in Afghanistan. In 2011, the loans were unsecured and were generally repayable within a 12-month period. The loans were interest-bearing at 22.0% per annum. As of December 31, 2012, the micro-credit loan portfolio was no longer active. As of December 31, 2011, net borrowings aggregated \$20,040.

Relief International maintains a significant micro-credit loan portfolio in Iraq (this portfolio represents approximately 95.9% and 93.6% of Relief International's net loans receivable worldwide as of December 31, 2012 and 2011, 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 allowance of \$1,272,080 and \$104,388, aggregated \$8,999,150 and \$10,334,406 as of December 31, 2012 and 2011, respectively.

Relief International maintains several micro-credit loans in 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 allowance of \$190,896 and \$59,379, aggregated \$46,603 and \$307,190 as of December 31, 2012 and 2011, respectively.

Following is a schedule, by country, of all loans receivable as of December 31, 2012 and 2011:

| 2012        |                      |                       |                     | 2011        |                      |                     |                      |
|-------------|----------------------|-----------------------|---------------------|-------------|----------------------|---------------------|----------------------|
| Country     | Loans<br>Receivable  | Allowance             | Net                 | Country     | Loans<br>Receivable  | Allowance           | Net                  |
| Azerbaijan  | \$ 409,589           | \$ (18,059)           | \$ 391,530          | Azerbaijan  | \$ 397,030           | \$ (21,758)         | \$ 375,272           |
| Afghanistan | -                    | -                     | -                   | Afghanistan | 20,040               | -                   | 20,040               |
| Iraq        | 10,271,230           | (1,272,080)           | 8,999,150           | Iraq        | 10,438,794           | (104,388)           | 10,334,406           |
| Lebanon     | -                    | -                     | -                   | Lebanon     | 63,920               | (2,121)             | 61,799               |
| Palestine   | 96,796               | (50,193)              | 46,603              | Palestine   | 161,946              | (8,045)             | 153,901              |
| Sri Lanka   | 140,703              | (140,703)             | -                   | Sri Lanka   | 140,703              | (49,213)            | 91,490               |
|             | <u>\$ 10,918,318</u> | <u>\$ (1,481,035)</u> | <u>\$ 9,437,283</u> |             | <u>\$ 11,222,433</u> | <u>\$ (185,525)</u> | <u>\$ 11,036,908</u> |

#### 3. 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.

As of December 31, 2012, the aggregate amount due from RI-UK totaled \$1,767,184; as of December 31, 2011, the aggregate amount due to RI-UK totaled \$366,451.

#### 4. GRANTS RECEIVABLE

At December 31, 2011, grants receivable included \$748,499 due from the Earthquake Reconstruction and Rehabilitation Authority (an agency of the Pakistan Government) for a program entitled "Primary School Construction in Earthquake-Affected Areas". As of December 31, 2012, the receivable has been written off as it is deemed uncollectible by management.

## RELIEF INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

#### 5. ACCOUNTS RECEIVABLE

Accounts receivable includes amounts of \$2,368,862 and \$1,316,092 as of December 31, 2012 and 2011, respectively, due from JPMorgan Ventures Energy related to the sale of carbon credits earned from Relief International's production of fuel efficient stoves (in Ghana). The full amount of the receivable was received in April 2013 (\$2,368,862) and January 2012 (\$1,316,092) and is included in unrestricted revenue for the years ended December 31, 2012 and 2011, respectively.

#### 6. PROPERTY AND EQUIPMENT

As of December 31, 2012 and 2011, property and equipment consisted of the following:

|                                   | <u>2012</u>             | <u>2011</u>              |
|-----------------------------------|-------------------------|--------------------------|
| Land and building                 | \$ -                    | \$ 126,000               |
| Furniture and fixtures            | 4,955                   | 4,955                    |
| Office equipment                  | 21,119                  | 21,119                   |
| Computer equipment                | 202,306                 | 189,237                  |
| Vehicles                          | <u>521,955</u>          | <u>521,955</u>           |
|                                   | 750,335                 | 863,266                  |
| Less: Accumulated depreciation    | <u>(710,066)</u>        | <u>(627,364)</u>         |
| <b>NET PROPERTY AND EQUIPMENT</b> | <b><u>\$ 40,269</u></b> | <b><u>\$ 235,902</u></b> |

#### 7. LINES OF CREDIT

As of December 31, 2012 and 2011, Relief International had the following lines of credit:

- Relief International maintains a \$1,125,000 line of credit with a local financial institution (the line of credit was increased to \$1,625,000 on November 27, 2012). Amounts borrowed under this agreement bear interest at the bank's prime rate plus 0.25% (4.50% at December 31, 2012 and 2011). Interest is assessed on a monthly basis. All receivables have been pledged as collateral. At December 31, 2012 and 2011, the total amount due on the line of credit aggregated \$950,000 and \$882,047, respectively.
- On July 21, 2010, Relief International entered into a revolving line of credit agreement with the Azerbaijan Ministry of Agriculture for the purpose of providing additional lending capital to the beneficiaries of its rural microlending activities. The line of credit bears quarterly interest of 2.00% and is secured by its loans receivable portfolio in Azerbaijan. As of December 31, 2012 and 2011, the total amount due on the line of credit aggregated \$163,720 and \$177,383, respectively.
- On October 26, 2011, Relief International signed an agreement with a non-for-profit entity (KIVA Microfunds) to obtain financing for micro-loans in Iraq. KIVA owns, operates and maintains a web based business and certain related intellectual property that allows website users throughout the world to connect with local lenders that provide small loans to individuals. As of December 31, 2012 and 2011, the total amount due under the financing agreement aggregated \$282,966 and \$0, respectively.

**RELIEF INTERNATIONAL**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012 AND 2011**

**8. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2012 and 2011:

|                         | <b>2012</b>                 | <b>2011</b>                 |
|-------------------------|-----------------------------|-----------------------------|
| <b>Program Services</b> | <b><u>\$ 11,765,808</u></b> | <b><u>\$ 21,569,975</u></b> |

**9. 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:

|  | <b>2012</b>                 | <b>2011</b>                 |
|--|-----------------------------|-----------------------------|
| <b>Program Service Accomplishments</b> | <b><u>\$ 12,930,178</u></b> | <b><u>\$ 12,095,368</u></b> |

**10. LEASE COMMITMENTS**

Relief International leases its principal office space in Los Angeles, California, under an operating rental agreement which expires on March 31, 2014. On February 22, 2012, Relief International entered into a sub-lease agreement for office space in Washington, D.C. The sub-lease agreement expires on July 31, 2015.

Relief International also 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, 2012 and 2011 was \$1,154,235 and \$1,337,447, respectively.

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

| <b><u>Year Ending December 31,</u></b> |                          |
|--|--------------------------|
| 2013                                   | \$ 469,886               |
| 2014                                   | <u>332,084</u>           |
|  | <b><u>\$ 801,970</u></b> |

**11. 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 2012. 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, 2012 AND 2011

#### 11. CONTINGENCIES (Continued)

##### Overseas Operations -

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, 2012 and 2011, 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 \$15,700,000 and \$21,700,000, respectively, which represents 81% and 79% of Relief International's total assets as of December 31, 2012 and 2011, respectively.

##### Litigation -

Relief International is currently involved in a legal case with a former employee who is seeking damages for unfair termination. Management (and the attorney) are of the opinion, as of January 27, 2014, that any liability or loss resulting from such litigation will not have a material adverse effect on the financial position, net assets or cash flows of Relief International.

#### 12. ECONOMIC DEPENDENCY

Approximately 74% and 67% of Relief International's unrestricted support and revenue (excluding contributed food and relief commodities) for the years ended December 31, 2012 and 2011, 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.

#### 13. PRIOR PERIOD ADJUSTMENT (CHANGE IN REVENUE RECOGNITION - U.S. GOVERNMENT AWARDS)

During 2012, Relief International formally changed its accounting policy for revenue recognition with respect to awards received from the U.S. Government. Accordingly, the temporarily restricted net asset balance at December 31, 2010 as well as the 2011 audited figures shown for comparative purposes in the accompanying report have been retroactively restated to appropriately reflect the change in policy.

**RELIEF INTERNATIONAL**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012 AND 2011**

**13. PRIOR PERIOD ADJUSTMENT (CHANGE IN REVENUE RECOGNITION - U.S. GOVERNMENT AWARDS) (Continued)**

Following is a summary of the effect of the restatement resulting from the change in revenue recognition policy:

|   | <u>Federal<br/>Grants<br/>Receivable</u> | <u>Refundable<br/>Advance</u> | <u>Temporarily<br/>Restricted<br/>Net Assets</u> |
|---|--|-------------------------------|--|
| December 31, 2010 balance, as previously stated | \$ 15,383,674                            | \$ 153,803                    | \$ 39,140,183                                    |
| Adjustment to reflect change in policy          | <u>(13,122,112)</u>                      | <u>670,861</u>                | <u>(13,792,973)</u>                              |
| <b>DECEMBER 31, 2010 BALANCE, AS RESTATED</b>   | <b><u>\$ 2,261,562</u></b>               | <b><u>\$ 824,664</u></b>      | <b><u>\$ 25,347,210</u></b>                      |
| December 31, 2011 balance, as previously stated | \$ 17,872,422                            | \$ -                          | \$ 38,751,412                                    |
| Adjustment to reflect change in policy          | <u>(16,913,824)</u>                      | <u>267,613</u>                | <u>(17,181,437)</u>                              |
| <b>DECEMBER 31, 2011 BALANCE, AS RESTATED</b>   | <b><u>\$ 958,598</u></b>                 | <b><u>\$ 267,613</u></b>      | <b><u>\$ 21,569,975</u></b>                      |

**14. 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 with the organization. Employee contributions are limited to current Internal Revenue Services (IRS) limitations (currently \$17,000 per year), and Relief International will match those annual contributions initially at 25%. 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, 2012 and 2011, the retirement plan expense totaled \$129,318 and \$89,655, respectively.

As recognition of service to Relief International prior to Relief International's establishment of its qualified 403(b)(7) retirement plan, several key employees, who had worked for a minimum of six years, were granted amounts which were to be contributed to a separate qualified retirement plan. The total benefit that was granted amounted to \$500,000 and was recorded as an accrued liability during the 2009 fiscal year. During March of 2012, all of the key employees were paid the amount that had been accrued (including interest that was calculated at \$58,816). However, based upon the fact that a separate qualified plan was not established, the total amount paid, including the accrued interest, was reported as compensation (W-2 wages for 2012) to the key employees as required by IRS regulations.

**15. INTANGIBLE ASSET**

As discussed in Note 5, Relief International is the beneficiary under a program (managed by JPMorgan Ventures Energy) related to the sale of carbon credits earned from Relief International's production of fuel efficient stoves (in Ghana).

## RELIEF INTERNATIONAL

### NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2012 AND 2011

#### 15. INTANGIBLE ASSET (Continued)

During the period 2008-2010, Relief International earned 252,682 voluntary emission reduction (VER) credits, valued at \$6.00 per VER, resulting in program income of \$1,516,092 (only \$1,316,092 was received as \$200,000 was retained in connection with the sales transaction). During calendar year 2011, 453,211 credits were earned and while the average fair value of such credits is approximately \$7.00 per credit, a contract for a sale (including the identification of a buyer) had not been completed. Therefore, Relief International estimated an intangible asset value of \$1,000,000 based on a conservative assumption of a VER value between \$2.00 and \$3.00 per unit. Accordingly, \$1,000,000 has been recorded as an intangible asset and an Other Item (as an increase to the current year unrestricted net assets balance) as of December 31, 2011.

As of December 31, 2012, Relief International has not recorded any intangible asset since the carbon credits have not been certified to gold standard.

#### 16. SUBSEQUENT EVENTS

In preparing these financial statements, Relief International has evaluated events and transactions for potential recognition or disclosure through January 27, 2014, the date the financial statements were issued.