

FINANCIAL STATEMENTS

RELIEF INTERNATIONAL

**FOR THE YEAR ENDED
DECEMBER 31, 2005 AND 2004**

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, 2005 and 2004, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2005 and 2004, 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 June 28, 2006 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 the 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

June 28, 2006

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RELIEF INTERNATIONAL
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2005 AND 2004

ASSETS	2005	2004
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,487,536	\$ 1,145,970
Investments (Note 2)	221,576	204,041
Loans receivable, net of allowance of \$70,316 in 2005 and \$8,167 in 2004 (Note 3)	413,116	5,424
Pledges receivable	125,000	299,300
Grants receivable	8,497,047	5,612,840
Other receivables	296	1,133
Prepaid expenses	6,663	6,509
Total current assets	10,751,234	7,275,217
PROPERTY AND EQUIPMENT		
Furniture and fixtures	2,084	2,084
Office equipment	20,132	20,322
Computer equipment	8,773	8,773
Vehicles	215,242	164,843
	246,231	196,022
Less: Accumulated depreciation	(126,002)	(77,893)
Net property and equipment	120,229	118,129
OTHER ASSETS		
Deposits	6,791	4,236
Total other assets	6,791	4,236
TOTAL ASSETS	\$ 10,878,254	\$ 7,397,582
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loans payable (Note 4)	\$ 558,056	\$ 100,000
Accounts payable and accrued expenses	1,184,195	591,039
Total current liabilities	1,742,251	691,039
NET ASSETS		
Unrestricted	457,927	317,378
Temporarily restricted (Note 5)	8,678,076	6,389,165
Total net assets	9,136,003	6,706,543
TOTAL LIABILITIES AND NET ASSETS	\$ 10,878,254	\$ 7,397,582

See accompanying notes to financial statements.

RELIEF INTERNATIONAL

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	2005		
	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Grants and contributions (Notes 8 and 9)	\$ 107,338	\$ 12,999,428	\$ 13,106,766
Government contracts	4,155,552	-	4,155,552
Contributed food and relief commodities	3,932,788	-	3,932,788
Investment income (loss) (Note 2)	(7,490)	-	(7,490)
Other revenue	981	-	981
Net assets released from donor restrictions (Note 6)	<u>10,699,087</u>	<u>(10,699,087)</u>	<u>-</u>
Total support and revenue	<u>18,888,256</u>	<u>2,300,341</u>	<u>21,188,597</u>
EXPENSES			
Program Services:			
Community Development, Shelter and Refugee Resettlement	13,591,943	-	13,591,943
Education: Schools, Libraries and ICT in ED	1,344,678	-	1,344,678
Women Development	329,795	-	329,795
Emergency Response	823,795	-	823,795
Health, Household Food and Economic Security	<u>578,218</u>	<u>-</u>	<u>578,218</u>
Total program services	16,668,429	-	16,668,429
General and Administrative	<u>2,142,005</u>	<u>-</u>	<u>2,142,005</u>
Total expenses	<u>18,810,434</u>	<u>-</u>	<u>18,810,434</u>
Changes in net assets before other items	77,822	2,300,341	2,378,163
OTHER ITEMS			
Unrealized gain (loss) on investments	62,727	-	62,727
Funds returned to donor	<u>-</u>	<u>(11,430)</u>	<u>(11,430)</u>
Changes in net assets	140,549	2,288,911	2,429,460
Net assets at beginning of year	<u>317,378</u>	<u>6,389,165</u>	<u>6,706,543</u>
NET ASSETS AT END OF YEAR	<u>\$ 457,927</u>	<u>\$ 8,678,076</u>	<u>\$ 9,136,003</u>

See accompanying notes to financial statements.

2004		
Unrestricted	Temporarily Restricted	Total
\$ 113,182	\$ 10,975,241	\$ 11,088,423
-	-	-
-	-	-
5,881	12,716	18,597
74,270	-	74,270
<u>8,634,283</u>	<u>(8,634,283)</u>	<u>-</u>
<u>8,827,616</u>	<u>2,353,674</u>	<u>11,181,290</u>
4,566,429	-	4,566,429
998,124	-	998,124
657,461	-	657,461
504,192	-	504,192
<u>913,743</u>	<u>-</u>	<u>913,743</u>
7,639,949	-	7,639,949
<u>1,280,528</u>	<u>-</u>	<u>1,280,528</u>
<u>8,920,477</u>	<u>-</u>	<u>8,920,477</u>
(92,861)	2,353,674	2,260,813
(76,251)	-	(76,251)
<u>-</u>	<u>(692)</u>	<u>(692)</u>
(169,112)	2,352,982	2,183,870
<u>486,490</u>	<u>4,036,183</u>	<u>4,522,673</u>
<u>\$ 317,378</u>	<u>\$ 6,389,165</u>	<u>\$ 6,706,543</u>

See accompanying notes to financial statements.

RELIEF INTERNATIONAL

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2005

	Program Services						General and Administrative	Total
	Community Development, Shelter and Refugee Resettlement	Education: Schools, Libraries and ICT in ED	Women Development	Emergency Response	Health, Household Food and Economic Security	Total Program Services		
Salaries and related benefits	\$ 1,786,438	\$ 445,890	\$ 96,559	\$ 118,812	\$ 3,664	\$ 2,451,363	\$ 1,280,799	\$ 3,732,162
Consultants	-	2,230	-	-	-	2,230	-	2,230
Contributed food and relief commodities	3,932,788	-	-	-	-	3,932,788	-	3,932,788
Depreciation	-	-	-	-	-	-	48,109	48,109
Projects	5,964,057	130,125	157,915	452,366	553,740	7,258,203	-	7,258,203
Subrecipient expenses	335,572	13,326	-	5	-	348,903	-	348,903
International freight	5,046	-	-	5,377	-	10,423	2,552	12,975
Vehicles and equipment expense	173,722	33,419	-	103,572	-	310,713	29,765	340,478
Office furniture and fixtures	10,169	2,064	209	3,074	-	15,516	2,351	17,867
Office expense	40,649	30,483	958	8,511	159	80,760	32,315	113,075
Supplies	148,627	198,496	27,350	7,762	17,061	399,296	619	399,915
Insurance	62,172	10,484	1,880	10,533	-	85,069	29,062	114,131
Interest	-	153	-	5	-	158	945	1,103
New country initiatives	-	-	-	-	-	-	197,037	197,037
Bank charges	36,148	1,697	35	7,088	883	45,851	5,627	51,478
Books and periodicals	237	967	-	22	-	1,226	1,416	2,642
Communications	77,639	25,240	2,529	9,276	117	114,801	33,693	148,494
Security	4,404	524	179	2,415	-	7,522	-	7,522
Household supplies	8,351	170	314	677	-	9,512	934	10,446
Postage	2,383	2,538	13	2,107	-	7,041	6,169	13,210
Printing and copying	7,211	2,264	264	2,749	59	12,547	5,484	18,031
Public relations	2,408	13,539	-	951	-	16,896	537	17,435
Fundraising	10,995	3,212	-	84	-	14,291	28,293	42,584
Office rent and utilities (Note 7)	208,042	41,705	9,440	17,263	-	276,450	138,631	415,081
Equipment/vehicle rental, maintenance and fuel	524,387	75,750	21,832	32,728	850	655,547	29,388	684,935
Training	94,233	246,286	1,853	8,035	-	350,407	7,067	357,474
Travel	135,377	62,642	5,465	38,539	377	242,400	70,136	312,536
Membership fees	1,200	-	-	-	-	1,200	10,059	11,259
Accounting and audit	16,066	1,274	3,000	-	308	20,648	48,961	69,609
Legal fees	322	200	-	10	-	532	578	1,110
Bad debt	3,300	-	-	(8,166)	1,000	(3,866)	131,478	127,612
TOTAL	\$ 13,591,943	\$ 1,344,678	\$ 329,795	\$ 823,795	\$ 578,218	\$ 16,668,429	\$ 2,142,005	\$ 18,810,434

See accompanying notes to financial statements.

RELIEF INTERNATIONAL
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2004

	Program Services						General and Administrative	Total
	Community Development, Shelter and Refugee Resettlement	Education: Schools, Libraries and ICT in ED	Women Development	Emergency Response	Health, Household Food and Economic Security	Total Program Services		
Salaries and related benefits	\$ 675,632	\$276,392	\$171,537	\$ 12,653	\$104,131	\$1,240,345	\$ 774,015	\$2,014,360
Consultants	12,032	916	-	-	5,921	18,869	3,393	22,262
Contributed food and relief commodities	-	-	-	-	401,288	401,288	-	401,288
Depreciation	-	-	-	-	-	-	42,509	42,509
Construction and subcontracts	3,354,726	132,341	282,930	337,186	274,746	4,381,929	26,902	4,408,831
Education supplies	56,357	293,813	15,955	85	289	366,499	79	366,578
International freight and transport	-	-	-	260	-	260	2,130	2,390
Vehicles and equipment expense	44,127	-	20,861	85,765	8,451	159,204	28,886	188,090
Office furniture and fixtures	3,194	375	299	2,968	342	7,178	3,972	11,150
Other supplies	744	3,444	9,062	2,346	289	15,885	5,045	20,930
Insurance	31,928	11,376	3,293	90	4,729	51,416	20,734	72,150
Interest	-	-	-	-	-	-	1,308	1,308
New country initiatives	-	-	-	-	-	-	39,401	39,401
Bank charges	10,597	2,131	319	12,683	1,101	26,831	2,892	29,723
Books and periodicals	11	403	11	18	-	443	1,194	1,637
Communications	30,289	14,228	13,556	12,419	5,135	75,627	25,939	101,566
Office supplies	12,052	3,642	9,062	2,007	2,168	28,931	18,521	47,452
Security	3,750	391	-	-	-	4,141	775	4,916
Household supplies	3,575	-	281	3,798	-	7,654	1,203	8,857
Other operating costs	1,385	4,865	2	552	2,156	8,960	3,620	12,580
Postage	1,572	1,329	468	2,751	-	6,120	5,263	11,383
Printing and copying	1,852	9,672	642	1,643	3,019	16,828	2,960	19,788
Public relations	946	2,354	2,819	398	150	6,667	4,358	11,025
Office rent and utilities (Note 7)	111,166	27,240	18,713	1,496	22,926	181,541	97,076	278,617
Equipment/vehicle rental, maintenance and fuel	153,736	46,919	74,439	9,820	61,942	346,856	13,175	360,031
Training	20,234	118,342	16,964	-	3,261	158,801	18,539	177,340
Travel	22,572	35,033	11,905	12,228	9,159	90,897	105,384	196,281
Membership fees	-	-	-	-	-	-	9,519	9,519
Accounting and audit	13,864	12,918	3,810	3,000	2,540	36,132	13,008	49,140
Legal fees	88	-	533	26	-	647	561	1,208
Bad debt	-	-	-	-	-	-	8,167	8,167
TOTAL	\$4,566,429	\$998,124	\$657,461	\$504,192	\$913,743	\$7,639,949	\$1,280,528	\$8,920,477

See accompanying notes to financial statements.

RELIEF INTERNATIONAL
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 2,429,460	\$ 2,183,870
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	48,109	42,509
Receipt of stock	(121,361)	(214,914)
Unrealized (gain) loss on investments	(62,727)	76,251
Realized (gain) loss on sale of stock	9,170	(5,298)
(Increase) decrease in:		
Pledges receivable	174,300	40,825
Grants receivable	(2,884,207)	(2,668,173)
Other receivables	837	121,501
Inventory	-	515,688
Prepaid expenses	(154)	(509)
Deposits	(2,555)	1,000
Increase (decrease) in:		
Accounts payable and accrued expenses	593,156	(154,353)
Refundable advances	-	(50,000)
Net cash provided (used) by operating activities	184,028	(111,603)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(50,209)	(93,936)
Proceeds from sales of stock	157,383	573,105
Net cash provided by investing activities	107,174	479,169
CASH FLOWS FROM FINANCING ACTIVITIES		
Disbursement of micro-credit loans	(407,692)	(18,806)
Principal payments received on micro-credit loans	-	98,328
Proceeds from loans payable	458,056	-
Repayments of advances to Director	-	(11,341)
Net cash provided by financing activities	50,364	68,181
Net increase in cash and cash equivalents	341,566	435,747
Cash and cash equivalents at beginning of year	1,145,970	710,223
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 1,487,536	\$ 1,145,970

See accompanying notes to financial statements.

RELIEF INTERNATIONAL
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

As of December 31, 2003, Relief International merged its operations with another California-based organization known as Schools Online. The accompanying 2004 financial statements include the financial activity of both entities. Accordingly, the December 31, 2003 assets, liabilities and net assets of Relief International have been restated to properly reflect the merger as of that date .

Relief International was founded in June 1990 and formally incorporated in the State of California on November 30, 1990 as a non-profit charitable organization. Relief International is a humanitarian agency with the aim of saving lives and rebuilding livelihoods in manmade and natural disasters by transitioning relief to development. Relief International is non-sectarian and non-political in its mission. Relief International's transitional programs are holistic and cross-sectoral, including services and capacity development programs in health, shelter, food, education, economic security, community development and rural livelihoods. Past and current programs have included assistance to refugees, displaced and other needy individuals in Afghanistan, Albania, Azerbaijan, Bangladesh, Bulgaria, Burundi, Georgia, Iran, Iraq, Jordan, Kosovo, Pakistan, Sri Lanka, Sudan, Tajikistan, Tanzania, Turkey and Vietnam.

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

Founded in 1996, with the mission to help ensure that all schools have effective access to the communication and information resources of the Internet, Schools Online has brought connectivity to schools in several countries within the Americas, Middle East, Africa, Asia and Europe. Working with its partners, Schools Online provided appropriate technology, teacher development workshops and continuous teacher support to engage them in online collaborative projects.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

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

Cash and cash equivalents -

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

Relief International had \$964,278 and \$853,747 in cash and cash equivalents held at financial institutions and on hand in foreign countries at December 31, 2005 and 2004, respectively. The majority of the funds invested in foreign countries is uninsured.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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

Cash and cash equivalents (continued) -

At times during the year, Relief International maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. 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 market value. Investments donated to Relief International are recorded at market value as of the date of donation. Gains and losses due to market fluctuations are recorded as unrealized in the accompanying Statements of Activities and Changes in Net Assets until the securities are sold or traded.

Property and equipment -

Property and equipment purchased with unrestricted funds (with a cost basis exceeding \$1,000 or more) are stated at cost and are depreciated on the straight-line basis over their related estimated useful lives, generally three to five years. Property and equipment purchased with donor-restricted funds are expensed and charged to the corresponding program. Maintenance, repairs and renewals that neither materially add value to existing property (nor prolong its life) are expensed as incurred.

Relief International purchases equipment for its overseas 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 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.

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, 2005 and 2004, Relief International did not generate any unrelated business income.

RELIEF INTERNATIONAL

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2005 AND 2004

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 food and relief commodities

Contributed food and relief commodities consisted of donated food, supplies and other relief commodities. The value of these contributions are recorded at their fair market value as of the date the goods were provided. Contributed services of \$3,932,788 representing the fair value of the use of these goods have been recorded as revenue and expense in the accompanying financial statements for the year ended December 31, 2005. Relief International also receives additional contributed goods for which an estimate of the fair value is not determinable.

Use of estimates -

The preparation of 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, 2005 AND 2004

2. INVESTMENTS

Investments consisted of the following at December 31, 2005 and 2004:

	2005		2004	
	Cost	Market Value	Cost	Market Value
Common Stock	\$ <u>169,043</u>	\$ <u>221,576</u>	\$ <u>214,235</u>	\$ <u>204,041</u>

Included in investment income are the following:

	2005	2004
Interest and dividends	\$ 1,680	\$ 13,299
Realized gain (loss) on sale of stock	<u>(9,170)</u>	<u>5,298</u>
TOTAL INVESTMENT INCOME (LOSS)	\$ <u>(7,490)</u>	\$ <u>18,597</u>

3. LOANS RECEIVABLE

During 2003, Relief International entered into several "Group Solidarity" loans in Azerbaijan. The loans are unsecured, and interest of 3% is due monthly 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%. As of December 31, 2005, and 2004 total borrowings (including accrued interest), net of uncollectible balances of \$11,143 and \$8,167, aggregated \$94,476 and \$5,424, respectively.

During 2005, Relief International entered into several microcredit loans in Afghanistan. The loans are unsecured and are repayable within one year. As of December 31, 2005, total borrowings, net of uncollectible balances of \$59,173, aggregated \$318,640.

4. LOANS PAYABLE

On September 10, 2002, Relief International entered into a credit agreement with the Social Fund for Internally Displaced People (SFDI) in Azerbaijan. The loan proceeds are to be used for microcredit lending on a revolving fund basis (Note 3). Borrowings under the agreement are non-interest bearing, and the loan balance is due on September 10, 2006. The loan is secured by Relief International's cash held in Azerbaijan. As of December 31, 2005 and 2004, outstanding borrowings totaled \$83,333 and \$100,000, respectively.

During 2005, Relief International entered into several MicroCredit loan projects in Afghanistan through its local partner NGO EMDAD. The projects are financed by the US Department of State. As part of the project agreement the MicroCredit projects' portfolio along with the associated liabilities is to be transferred to the EMDAD pending finalization of its registration with the Afghan government.

As of December 31, 2005, the total amount due under this program was \$474,723.

RELIEF INTERNATIONAL

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004**

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2005 and 2004:

	2005	2004
Community Development, Shelter and Refugee Resettlement	\$ 4,561,882	\$ 3,718,299
Education: Schools, Libraries and ICT in ED	2,131,434	1,602,168
Women Development	332,456	232,026
Emergency Response	1,652,304	222,447
Health, Household Food and Economic Security	-	501,725
Restricted for Time	-	112,500
	\$ 8,678,076	\$ 6,389,165

6. NET ASSETS RELEASED FROM RESTRICTIONS

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

	2005	2004
Community Development, Shelter and Refugee Resettlement	\$ 8,204,554	\$ 5,162,879
Education: Schools, Libraries and ICT in ED	1,344,678	1,128,072
Women Development	318,939	744,091
Emergency Response	823,795	529,070
Health, Household Food and Economic Security	7,121	1,032,671
Passage of Time	-	37,500
	\$ 10,699,087	\$ 8,634,283

7. LEASE COMMITMENT

On August 13, 2002, Relief International entered into a one-year operating lease agreement for office space commencing October 1, 2002. The lease has been extended for additional one-year periods, currently expiring on September 30, 2006. During 2005 Relief International secured additional space in its existing office building, with the expiration date coinciding with the original lease. Future minimum lease payments required under this lease agreement during 2006 total approximately \$72,000. Relief International also leases office space in several foreign countries under short-term lease agreements. Total rent expense (including office utilities and related costs) for the years ended December 31, 2005 and 2004 was \$415,081 and \$278,617, respectively.

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8. CONTINGENCIES

United States Government funding -

Relief International receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants 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 2005. 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, 2005 and 2004, Relief International had cash and other assets in Afghanistan, Azerbaijan, Bangladesh, Iran, Iraq, Jordan, Pakistan, Palestine, Sri Lanka, Sudan, Tajikistan and Tanzania totaling approximately \$1,613,000 and \$1,334,000, respectively, which represents 15% and 18% of Relief International's total assets as of December 31, 2005 and 2004, respectively.

9. ECONOMIC DEPENDENCY

Approximately 63% and 51% of Relief International's support and revenue (excluding contributed food and relief commodities) for the year ended December 31, 2005 and 2004 was derived from grants and contracts awarded by the United States Government and various pass-through entities. Relief International has no reason to believe that relationships with these entities will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew agreements or withholding of funds) would adversely affect Relief International's ability to finance ongoing operations.

10. RETIREMENT PLAN

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 \$15,000 per year, and Relief International will match those annual contributions up to \$3,750. During the year ended December 31, 2005, the retirement plan expense totaled \$18,600.