

**WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD
EMERGENCY RELIEF**

*FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT*

December 31, 2009

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James E. Raftery, CPA, PC

606 N. Stapley Drive
Mesa, Arizona 85203

(480) 835-1040
FAX (480) 835-8832

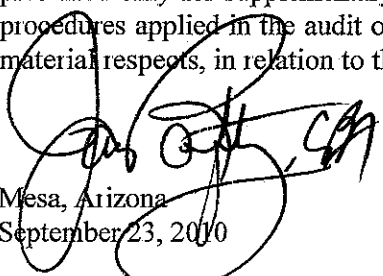
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
World Emergency Relief
Temecula, California

I have audited the accompanying statement of financial position of World Emergency Relief, (a California nonprofit organization) as of December 31, 2009 and the related statement of activities, functional allocation, and cash flows for the year then ended. These financial statements are the responsibility of World Emergency Relief's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of World Emergency Relief as of December 31, 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. The information in the accompanying schedules of support and other revenues, program activities, and international program activities is not a required part of the basic financial statements and is presented only for supplementary analysis purposes. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



Mesa, Arizona
September 23, 2010

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
STATEMENT OF FINANCIAL POSITION
December 31, 2009

ASSETS

Current Assets

Cash	\$ 732,384
U.S. Treasury Bills	134,162
Pledges receivable, net	63,249
Employee advances	650
Prepaid expense	10,625
Security deposits	5,303
Total Current Assets	946,373

Property and Equipment, net

57,635

Other Assets - Investments

30,618

\$ 1,034,626

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 111,586
Line of credit	14,539
Accrued expenses	54,336
Notes payable	7,671
Total Current Liabilities	188,132

Net Assets

Unrestricted	726,908
Temporarily restricted	119,586
Total Net Assets	846,494

\$ 1,034,626

See accompanying notes to the financial statements

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

Unrestricted Net Assets

Support	
Gifts-in-kind	\$ 18,480,069
Contributions	1,878,233
Bequests	984,694
Rental income	3,000
Investment income	848
Miscellaneous income	920
Total Support	<u>21,347,764</u>
Net assets released from restriction	<u>124,586</u>
Total Unrestricted Revenue, Gains, and Other Support	21,472,350

Expenses and Losses

Program services	20,103,219
Management services	571,012
Fundraising	800,289
Total Expenses	<u>21,474,520</u>

Other Gains and Losses

(Loss) on asset disposal	(5,586)
Unrealized Gain on marketable securities	520
Total Expenses and Losses	<u>21,479,586</u>
(Decrease) in Unrestricted Net Assets	(7,236)

Temporarily Restricted Net Assets

Grants	135,396
Net assets released from restrictions	(124,586)
(Decrease) in Temporarily Restricted Net Assets	<u>10,810</u>

Increase in Net Assets 3,574

Net Assets, beginning of year 801,451

Prior period adjustment 41,469

Net Assets, end of year \$ 846,494

See accompanying notes to the financial statements

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
STATEMENT OF FUNCTIONAL ALLOCATION
Year Ended December 31, 2009

	Program	Supporting Services		Totals
	Services	Management	Fundraising	
Gifts-in-kind	\$ 19,125,371	\$ -	\$ -	\$ 19,125,371
Salaries and wages	125,509	112,958	75,306	313,773
Officers' salaries	136,661	122,995	81,996	341,652
Direct mail postage	56,326	-	152,287	208,613
Direct mail printing	53,618	-	144,965	198,583
Professional fees	13,346	106,762	13,345	133,453
Rent expense	38,193	45,832	43,286	127,311
Grants & allocations	119,923	-	-	119,923
Lettershop	24,086	-	65,121	89,207
Shipping fees	83,330	-	-	83,330
Broker fees	16,659	-	45,041	61,700
Employee benefits	24,414	21,972	14,648	61,034
Contract settlement	23,365	21,028	14,019	58,412
Depreciation	48,896	8,629	-	57,525
Insurance	17,371	15,634	10,423	43,428
Direct mail fundraising	-	-	42,214	42,214
Program travel	37,623	-	4,180	41,803
Bank fees	-	41,456	-	41,456
Payroll taxes	16,154	14,539	9,692	40,385
Computer expense	17,773	11,977	8,887	38,637
Miscellaneous program expense	36,659	-	-	36,659
Freight/domestic	28,169	-	-	28,169
Office postage	2,289	1,602	18,995	22,886
Utilities	5,592	6,710	6,337	18,639
Procurement fees	17,000	-	-	17,000
Dues and subscriptions	4,769	4,769	6,359	15,897
Office expenses	4,308	6,319	3,734	14,361
Repairs and maintenance	3,117	3,740	3,533	10,390
Temporary labor	510	511	9,193	10,214
Advertising	998	699	8,284	9,981
Conferences and research	6,776	968	1,936	9,680
Interest expense	-	8,223	-	8,223
Copywriting	2,120	-	5,730	7,850
Office printing	656	459	5,446	6,561
Telephone expense	1,702	2,042	1,929	5,673
Team equipment	5,614	-	-	5,614
Travel	-	4,321	-	4,321
Promotions	1,444	1,402	1,402	4,248
Meals & entertainment	-	2,847	-	2,847
Equipment rental/maintenance	1,047	706	523	2,276
Lease expense	649	779	736	2,164
Auto expenses	645	581	387	1,613
Payroll services	416	375	250	1,041
Licenses & fees	121	177	105	403
	<u>\$ 20,103,219</u>	<u>\$ 571,012</u>	<u>\$ 800,289</u>	<u>\$ 21,474,520</u>

See accompanying notes to the financial statements

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

Cash Flows from Operating Activities

Cash received from donors and grants	\$ 2,985,184
Cash paid to suppliers and employees	(2,526,661)
Interest expense	(8,223)
Interest income	848
Miscellaneous income	920
Net Cash Provided By Operating Activities	452,068

Cash Flows from Investing Activities

(Increase) in tax-exempt securities	(136,962)
(Increase) in employee advance	(650)
Decrease from Rescue Task Force merger	162,159
Proceeds from sale of fixed assets	350
(Purchase) of fixed assets	(20,811)
Net Cash (Used) By Investing Activities	4,086

Cash Flows from Financing Activities

(Decrease) in notes payable	(102,057)
Net Cash (Used) by Financing Activities	(102,057)

Net Increase in Cash and Cash Equivalents

354,097

Beginning Cash and Cash Equivalents

378,287

Ending Cash and Cash Equivalents

\$ 732,384

Reconciliation of Changes in Net Assets to Net Cash (Used) Provided by Operating Activities:

Increase in net assets	\$ 3,574
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	57,525
Unrealized (gain) on marketable securities	(520)
(Increase) Decrease in assets	
Pledges receivable	(16,139)
Prepaid expenses	6,295
Inventory	507,492
Increase (Decrease) in liabilities	
Accrued expenses	19,868
Accounts payable	(126,027)
<i>Net Cash Provided By Operating Activities</i>	\$ 452,068

See accompanying notes to the financial statements

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization reports in accordance with the American Institute of Certified Public Accountants Industry Audit Guide, Audits of Voluntary Health and Welfare Organizations. The Organization reports adhere to the following accounting policies:

Corporate Organization

World Emergency Relief D.B.A. Children's Food Fund/World Emergency Relief (WER) is a non-profit international organization incorporated December 14, 1985 in the state of California. World Emergency Relief, also D.B.A. Native American Emergency Relief, is dedicated to alleviating the suffering of human beings by providing humanitarian relief and developmental aid to people who have been marginalized by geography or harmed by natural disaster, war, armed conflict, exploitation, physical or mental abuse, or economic deprivation. To that end, World Emergency Relief is committed to address children's critical needs of water, food, healthcare, education, and child safety, as well as the requirements of their families and communities, "giving children a living chance".

World Emergency Relief's organizational services and programs include: Children's Food Fund, which provides food, medicine and other essential goods to those that would otherwise do without; Rescue Task Force, which provides immediate disaster response to manmade and natural disasters around the world, providing lifesaving support to victims of natural disasters such as tsunamis, earthquakes, hurricanes, floods and other disasters; Project Not Forgotten, which gives back to those men and women who have sacrificed so much for our freedom, supporting severely wounded U.S. military troops with backpacks which contain diverse sets of items; Native American Emergency Relief, which provides relief to our Native American population where desperate, nearly third world conditions are often overlooked; Love a Village, a clean water program which helps alleviate horrible suffering from lack of potable water by providing life-changing health benefits, in addition to providing critical medical clinics to villagers; and International Literacy Centers, which educates the uneducated to read and write.

Fair Values of Financial Instruments

The following methods and assumptions were used by World Emergency Relief in estimating its fair value disclosures for financial instruments:

Cash, cash equivalents: The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Receivables: Receivables are carried at net realizable value, which equals the principal outstanding less an allowance for uncollectible balances and the costs of collecting accounts.

Investments: The fair values of some investments are estimated based on quoted market prices for those or similar investments.

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair Values of Financial Instruments (Cont'd)

The estimated fair values of World Emergency Relief's instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash	\$ 732,384	\$ 732,384
U.S. Treasury Bills	\$ 134,162	\$ 134,162
Pledges Receivable	\$ 62,448	\$ 62,448
Investments	\$ 30,618	\$ 30,618

The Organization estimates that the fair value of all financial instruments at December 31, 2009 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying Statements of Financial Position

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its statement of Accounting Standards Codification (ASC). Under the Standards for the Financial Statements of Not-For-Profit Organizations the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenue and Support Recognition

Support restricted by the donor, grantor, or other outside party for particular operating purposes are deemed to be earned and reported as revenues of the current restricted fund when the Organization has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet expended are reported as temporarily restricted deferred revenue. The Organization received \$135,396 in temporarily restricted support during 2009. Temporarily restricted net assets were \$119,586 at December 31, 2009. Included is \$100,361 for the Build a Back Pack program, \$7,731 for general programs, \$3,838 for the TV project program, \$6,888 for Asia projects and \$688 for the Teaching Hands program. Amounts will be released from temporarily restricted net assets in the corresponding years that expenditures are incurred.

The Organization recognizes pledges as revenue under FASB ASC Not-For-Profit Entities: Revenue Recognition. Under FASB ASC, the standard, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Income Taxes

The Organization is a public charity, nonprofit organization as defined in the Internal Revenue Code Section 501(c) (3) and is therefore exempt from federal and state income taxes.

Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with initial maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

Property and Equipment

The Organization capitalizes all expenditures for property and equipment that materially prolong the useful life of an asset. Furniture and equipment acquisitions are recorded at cost, except for donated items which are recorded at the fair market value when received. Depreciation is recognized using the straight-line method over the assets' estimated lives of five and seven years.

Use of Estimates

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

Functional Allocation of Expenses

The cost of providing the programs and other activities has been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the program and support services benefited as estimated by World Emergency Relief's management.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 23, 2010.

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fair Value Measurements

The Organization measures the fair value of marketable securities and gift-in-kind revenues and expenses in accordance with FASB ASC, Fair Value Measurements and Disclosures. The standard provides a hierarchy for prioritizing inputs to valuation techniques: level 1 inputs are unadjusted quoted prices in active markets; level 2 inputs are observable market data, generally other than quoted prices; level 3 inputs are significant unobservable data. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization's marketable securities are valued using level 1 inputs of unadjusted quoted prices in active markets. The fair value of marketable securities at December 31, 2009 was \$21,618.

The Organization's gift-in-kind revenue as of December 31, 2009 was measured at a wholesale fair value of \$18,480,069, using level 3 inputs obtained from independent studies. The Organization's gift-in-kind expense as of December 31, 2009 was measured at a wholesale fair value of \$19,125,371, using level 3 inputs obtained from independent studies

Gifts in Kind

The Organization records humanitarian donations of food, clothing, military relief backpacks, water filtration systems and household/medical equipment and supplies in accordance with industry standards developed by the Association of Evangelical Relief and Development Organizations which is in accordance with generally accepted accounting principles. Donated materials are recorded at their estimated fair market value (generally wholesale or less) at the time the goods are received from the donor and recorded at such time as the Organization distributes the goods for charitable purposes. All such donations are reported as increases in unrestricted net assets as the donor has not restricted the donated asset to a specific purpose and has given the Organization unilateral power to redirect the goods to another beneficiary. Donated materials income and expense for December 31, 2009 were \$18,480,069 and \$19,125,371. The recognition of the gift-in-kind revenue and expense is limited to instances where Organization takes possession or constructive title of a gift-in-kind donation from the original donor, or takes possession as the end-user agency.

During the year ended December 31, 2009, World Emergency Relief distributed approximately 691,559 pounds of donated food. The distributed food is valued at \$1.50 per pound which amounts to \$1,037,339. The Organization did not have any donated food on hand at December 31, 2009.

During the year ended December 31, 2009, World Emergency Relief distributed donated medical supplies/equipment totaling \$13,087,884, donated clothing totaling \$3,209,853, donated military relief backpacks totaling \$129,693, donated water filtration systems totaling \$515,609 and donated household supplies totaling \$1,144,993 to member agencies. Medical supplies/equipment, clothing, military relief backpacks, water filtration systems and household supplies are valued at fair market value. The Organization did not have any medical supplies/equipment, clothing, water filtration systems, military relief backpacks or household supplies on hand at December 31, 2009.

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
NOTES TO THE FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Inventory

There were no items in inventory as of December 31, 2009. Inventory items at December 31, 2008 included a water filtration system, totaling \$507,492. This inventory was donated to a program in 2009 and is included in the total Gifts-in-Kind at December 31, 2009.

Allocation of Joint Costs

The Organization achieves some of its program, management and general goals by conducting activities that include requests for contributions as well as program activities of the Organization. The costs of conducting those campaigns for the year ended December 31, 2009 included a total of \$565,953 of joint costs that are not directly attributable to either the program or management and general components or the fundraising component of the activities. Those joint costs are fundraising for direct mail appeals and were allocated as follows:

Program	\$	152,809
Fundraising		<u>413,144</u>
Total	\$	<u>565,953</u>

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising costs for the year ended December 31, 2009 was \$9,981

Shipping Costs

The Organization expenses shipping costs as they are incurred. Shipping costs for the year ended December 31, 2009 was \$28,169.

NOTE B – PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of December 31, 2009:

Christian Service Charities	\$	60,091
Neighbor to Nation		15,808
Human Service Charities of America		7,365
Less: 25% Allowance for Shrinkage		<u>(20,816)</u>
	\$	<u>62,448</u>

The allowance for shrinkage is an estimate based on historical performance, federation estimates and projection of trends.

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
NOTES TO THE FINANCIAL STATEMENTS

NOTE C – CONCENTRATIONS

World Emergency Relief received approximately 40% of their cash contributions in 2009 from direct mail campaigns. Total cash contributions collected from the direct mail campaigns in 2009 was \$1,223,370. World Emergency Relief received 84% their non-cash contributions in 2009 from three different non-profits. Total non-cash contributions collected from the entities in 2009 were \$15,445,016

If this support does not continue in the future, there might be substantial doubt about the Organization's ability to continue as a going concern. Management believes this support will continue in the future, and if not the support can be replaced from other sources.

NOTE D – INVESTMENTS

Investments consist of a donated timeshare ownership, Proctor & Gamble Company stock, and Walgreens Company stock. Timeshare ownership was recorded at the fair market value at the time of donation, the 296 shares of Proctor & Gamble Company common stock were donated to the Organization in 1997 with a cost basis of \$3,027, and the 100 shares of Walgreens Company common stock were donated to the Organization in 2009 with a cost basis of \$2,800. The stock is presented at the lower of cost or market value, adding or subtracting unrealized gain or loss:

Timeshare ownership	\$ 9,000
Basis in marketable securities	139,989
Unrealized gain on marketable securities at start of year	15,271
Unrealized gain on marketable securities during the year	520
	<u>\$ 164,780</u>

Total investment income from the marketable securities in 2009 was 848

NOTE E – PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2009, consisted of the following:

Property, Plant and Equipment	\$ 144,711
Transportation Equipment	41,723
Furniture & Fixtures	93,858
Leasehold Improvements	25,196
	<u>305,488</u>
Accumulated Depreciation	(247,853)
	<u>\$ 57,635</u>

Depreciation expense for the year ended December 31, 2009 was \$57,525.

NOTE F – LINE OF CREDIT

For the year ended December 31, 2009, the Organization had a line of credit totaling \$50,000, with interest accruing at a rate of 10%. The outstanding balance on the line of credit was \$14,539 as of December 31, 2009. The primary purpose of the line of credit is to provide interim financing for overseas freight expenditures in anticipation of grants receivable.

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
NOTES TO THE FINANCIAL STATEMENTS

NOTE G – ACCRUED EXPENSES

Accrued expenses as of December 31, 2009 consisted of \$54,336 for reimbursable personal time off

NOTE H – NOTES PAYABLE

On October 1, 2009, the Organization assumed the vehicle loan payable previously held by Rescue Task Force as a result of the merger. The note calls for monthly payments of \$662 including interest at a rate of 8.89%. As of December 31, 2009, the balance of the vehicle loan payable was \$7,671.

NOTE I – CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Uninsured cash balances as of December 31, 2009 was \$196,751.

NOTE J – SIGNIFICANT ACCOUNTING ESTIMATES

The Organization participates in the Combined Federal Campaign (CFC) in which federal employees are eligible to participate by selecting one or more charitable organizations to receive donations as a payroll deduction from the employee's compensation. The amount of pledges to eventually be collected is an estimate. The Organization estimates shrinkage of approximately 25% in 2009 from what was pledged to what is eventually collected. Based on the history of the Organization and CFC, management believes this reduction reasonably states the true net value of what it will receive. While it is at least reasonably possible that the estimate will change materially in the near term, no estimate can be made of the range of additional adjustments that is possible.

NOTE K – EMPLOYEE BENEFIT PLAN

The Organization established a non-contributory 403 (b) contribution in 2000.

NOTE L – COMMITMENTS

The Organization leases office and warehouse space under a sixty-four month operating lease, expiring in May 2010. In 2010, the Organization entered into a new lease for office space under a thirty-six month operating lease, expiring in June 2013. The Organization also entered into a new lease for warehouse space in 2010 under a twenty-four month operating lease, expiring in June 2012. (See Note M).

The Organization leases office equipment under a sixty-three month operating lease, expiring in July 2010. In 2010, the Organization entered into a new lease for office equipment. The new lease is for a term of sixty-three months and expires in September 2015. (See Note M).

Total rental expense for the year ended December 31, 2009 was \$95,814.

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
NOTES TO THE FINANCIAL STATEMENTS

NOTE L – COMMITMENTS (CONT'D)

Future minimum lease payments are as follows:

<u>Year</u>	<u>Payments</u>
2010	\$ 67,507
2011	29,102
2012	26,549
2013	17,966
2014	13,020
Thereafter	9,765
Total	<u>\$ 163,909</u>

The Organization also leases a warehouse in Flagstaff, Arizona for the storage of gift-in-kind donations. The lease is on a month-to-month basis and the monthly lease expense is \$1,250. Total rental expense for the warehouse was \$15,000 for the years ended 2009.

NOTE M – SUBSEQUENT EVENTS

Subsequent to year end, but prior to issuance of the audited financial statements, the Organization entered into new leases for office and warehouse space and a new office equipment lease. Future minimum lease payments are included in Note L.

NOTE N – CONTINGENCIES

Subsequent to year end, the Organization has experienced a significant downturn in its direct mail program, which is its primary means of cash support. This has caused severe projected cash flow shortages for 2010 and beyond. In response, management has reduced staffing by approximately 75% of its 2009 staffing levels and cut its program support and overhead. These factors, as well as the uncertain conditions that the Organization faces regarding its mail programs and current economic conditions, creates an uncertainty about the Organization's ability to continue as a going concern. The ability of the Organization to continue as a going concern is dependent on a turnaround of its direct mail program. The financial statements do not include any adjustments that might be necessary if the Organization is unable to continue as a going concern.

An attorney has billed the Organization for fees and costs related to services provided in prior years. The Organization and its current counsel believes that the claim for fees and costs are groundless, and that the fees and costs will not be collectible by the attorney. The total amount of the fees billed is \$86,132 at December 31, 2009. These fees and costs have not been accrued in the financial statements.

NOTE O – PRIOR PERIOD ADJUSTMENT

The Organization recorded a prior period adjustment to adjust for a settlement with a former officer and prepaid expenses. The total amount of the adjustment recorded in 2009 was \$41,469. Retroactive inclusion of this amounts in the financial statements in 2008 would have resulted in an increase in net assets of \$41,469 at December 31, 2008.

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
NOTES TO THE FINANCIAL STATEMENTS

NOTE P – BUSINESS COMBINATION

As of September 30, 2009, World Emergency Relief and Rescue Task Force (RTF) combined operations. The combination is being treated as a pooling of interests between the two organizations at December 31, 2009. At the merger date of September 30, 2009, Rescue Task Force's revenue for 2009 was \$298,671 and net loss was \$76,508 and net assets were:

Net assets of World Emergency Relief, beginning of year	\$727,295
Net assets of Rescue Task Force, beginning of year	<u>74,156</u>
Total	<u>\$801,451</u>

NOTE Q – RELATED PARTY TRANSACTIONS

The Organization entered into a contract with Binnacle Grant Works in 2009. Binnacle Grant Works is wholly owned by the spouse of Peggy Reiber who was a Director for 2009, the Organization's Secretary for part of 2009 and a full time employee in a management position. For the year ended December 31, 2009, Binnacle was paid \$9,630 and was owed an additional \$7,817 as of December 31, 2009.

SUPPLEMENTARY INFORMATION

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
SCHEDULE OF SUPPORT AND OTHER REVENUES
For the Year Ended December 31, 2009

	<u>Contributions</u>	<u>Cash Grants</u>	<u>Other Income</u>	<u>Totals</u>
Gift-in-kind	\$ 18,480,069	\$ -	\$ -	\$ 18,480,069
Direct mail income	1,223,370	-	-	1,223,370
Bequest	984,694	-	-	984,694
Unrestricted contributions	509,353	-	-	509,353
Combined federal and state campaigns	145,510	-	-	145,510
Restricted contributions	135,396	-	-	135,396
Rental income	-	-	3,000	3,000
Miscellaneous income	-	-	920	920
Investment income	-	-	848	848
	<u>\$ 21,478,392</u>	<u>\$ -</u>	<u>\$ 4,768</u>	<u>\$ 21,483,160</u>

See accompanying notes to the financial statements

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
SCHEDULE OF PROGRAM ACTIVITIES
For the Year Ended December 31, 2009

	US Disaster Relief	Native American Relief	Domestic Totals	International Relief	Totals
Gifts-in-kind	\$ 2,832,029	\$ 1,037,339	\$ 3,869,368	\$ 15,256,002	\$ 19,125,371
Salaries and wages	18,585	6,807	25,392	100,117	125,509
Officers' salaries	20,237	7,412	27,649	109,012	136,661
Grants & allocations	3,350	-	3,350	116,573	119,923
Shipping fees	12,339	4,520	16,859	66,471	83,330
Direct mail postage	3,350	-	3,350	52,976	56,326
Direct mail printing	7,940	2,908	10,848	42,770	53,618
Depreciation	7,240	2,652	9,892	39,004	48,896
Rent expense	5,655	2,072	7,727	30,466	38,193
Program travel	5,571	2,041	7,612	30,011	37,623
Miscellaneous program expense	5,429	1,988	7,417	29,242	36,659
Freight/domestic	4,171	1,528	5,699	22,470	28,169
Employee benefits	3,615	1,324	4,939	19,475	24,414
Lettershop	3,567	1,306	4,873	19,213	24,086
Contract settlement	3,460	1,267	4,727	18,638	23,365
Computer expense	2,632	964	3,596	14,177	17,773
Insurance	2,572	942	3,514	13,857	17,371
Procurement fees	2,517	922	3,439	13,561	17,000
Broker fees	2,467	903	3,370	13,289	16,659
Payroll taxes	2,392	876	3,268	12,886	16,154
Professional fees	1,976	724	2,700	10,646	13,346
Conferences and research	1,003	368	1,371	5,405	6,776
Team equipment	831	305	1,136	4,478	5,614
Utilities	828	303	1,131	4,461	5,592
Dues and subscriptions	706	259	965	3,804	4,769
Office expenses	638	234	872	3,436	4,308
Repairs and maintenance	462	169	631	2,486	3,117
Office postage	339	124	463	1,826	2,289
Copywriting	314	115	429	1,691	2,120
Telephone expense	252	92	344	1,358	1,702
Promotions	214	78	292	1,152	1,444
Equipment rental/maintenance	155	57	212	835	1,047
Advertising	148	54	202	796	998
Office printing	97	36	133	523	656
Lease expense	96	35	131	518	649
Auto expenses	95	35	130	515	645
Temporary labor	75	28	103	407	510
Payroll services	61	23	84	332	416
Licenses & fees	18	6	24	97	121
	<u>\$ 2,957,426</u>	<u>\$ 1,080,816</u>	<u>\$ 4,038,242</u>	<u>\$ 16,064,976</u>	<u>\$ 20,103,219</u>

See accompanying notes to the financial statements

WORLD EMERGENCY RELIEF
D.B.A. CHILDREN'S FOOD FUND/WORLD EMERGENCY RELIEF
SCHEDULE OF INTERNATIONAL PROGRAM ACTIVITIES
For the Year Ended December 31, 2009

	Asia & the Pacific	Central America & the Caribbean	Europe	Africa & the Middle East	Totals
Gifts-in-kind	\$ 10,709,017	\$ 1,023,107	\$ -	\$ 3,523,878	\$ 15,256,002
Salaries and wages	70,104	6,812	98	23,103	100,117
Officers' salaries	76,334	7,417	106	25,155	109,012
Grants & allocations	57,538	22,320	15,000	21,715	116,573
Shipping fees	46,544	4,523	65	15,339	66,471
Direct mail postage	37,095	3,604	52	12,225	52,976
Direct mail printing	29,948	2,910	42	9,870	42,770
Depreciation	27,312	2,654	38	9,000	39,004
Rent expense	21,333	2,073	30	7,030	30,466
Program travel	21,015	2,042	29	6,925	30,011
Miscellaneous program expense	20,475	1,990	29	6,748	29,242
Freight/domestic	15,734	1,529	22	5,185	22,470
Employee benefits	13,637	1,325	19	4,494	19,475
Lettershop	13,453	1,307	19	4,434	19,213
Contract settlement	13,051	1,268	18	4,301	18,638
Computer expense	9,927	965	14	3,271	14,177
Insurance	9,702	943	14	3,198	13,857
Procurement fees	9,496	923	13	3,129	13,561
Broker fees	9,305	904	13	3,067	13,289
Payroll taxes	9,022	877	13	2,974	12,886
Professional fees	7,455	724	10	2,457	10,646
Conferences and research	3,785	368	5	1,247	5,405
Team equipment	3,136	305	4	1,033	4,478
Utilities	3,124	304	4	1,029	4,461
Dues and subscriptions	2,663	259	4	878	3,804
Office expenses	2,406	234	3	793	3,436
Repairs and maintenance	1,741	169	2	574	2,486
Office postage	1,279	124	2	421	1,826
Copywriting	1,184	115	2	390	1,691
Telephone expense	952	92	1	313	1,358
Promotions	807	78	1	266	1,152
Equipment rental/maintenance	584	57	1	193	835
Advertising	557	54	1	184	796
Office printing	365	36	1	121	523
Lease expense	362	35	1	120	518
Auto expenses	360	35	1	119	515
Temporary labor	285	28	-	94	407
Payroll services	232	23	-	77	332
Licenses & fees	68	7	-	22	97
	<u>\$ 11,251,387</u>	<u>\$ 1,092,540</u>	<u>\$ 15,677</u>	<u>\$ 3,705,372</u>	<u>\$ 16,064,976</u>

See accompanying notes to the financial statements