FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

EPISCOPAL RELIEF & DEVELOPMENT

December 31, 2009 and 2008

C O N T E N T S

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
Episcopal Relief & Development:

We have audited the accompanying statements of financial position of Episcopal Relief & Development (the "Organization") as of December 31, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Episcopal Relief & Development as of December 31, 2009 and 2008, 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.

Grant Thornton LLP

New York, New York
June 8, 2010

Episcopal Relief & Development

STATEMENTS OF FINANCIAL POSITION

As of December 31, 2009 and 2008

ASSETS	**2009**	2008
Cash and cash equivalents	**$ 4,504,061**	$ 4,730,717
Receivables, net (Note C)	**6,033,133**	7,611,169
Investments (Note D)	**13,587,652**	11,709,254
Prepaid expenses	**106,382**	13,650
Beneficial interest in outside trusts	**374,818**	298,132
Property and equipment, net (Note E)	**87,295**	61,978
Total assets	**$ 24,693,341**	$ 24,424,900
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 2,163,335**	$ 1,919,859
Due to DFMS	**121,502**	408,348
Accrued postretirement benefits other than pensions (Note G)	**335,159**	255,365
Total liabilities	**2,619,996**	2,583,572
Net assets (Note B):		
Unrestricted	**11,538,856**	8,036,261
Temporarily restricted (Note H)	**9,734,461**	13,080,725
Permanently restricted (Note H)	**800,028**	724,342
Total net assets	**22,073,345**	21,841,328
Total liabilities and net assets	**$ 24,693,341**	$ 24,424,900

The accompanying notes are an integral part of these financial statements.

Episcopal Relief & Development

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2009 and 2008

	2009				2008			
	Unrestricted	Temporarily restricted	Permanently restricted	**Total**	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenues and other support:								
Contributions, bequests, grants, and other	$ 9,346,857	$ 7,097,197	$ -	**$ 16,444,054**	$ 7,702,266	$ 17,546,961	$ -	$ 25,249,226
Investment return (loss) (Note D)	2,777,408	-	76,686	**2,854,094**	(6,201,240)	4,153	(114,195)	(6,311,282)
Other income	35,498	-	-	**35,498**	87,839	-	-	87,839
Government revenue	549,057	-	-	**549,057**	349,641	-	-	349,641
Contributed services (Note B-11)	1,304,436	-	-	**1,304,436**	946,412	-	-	946,412
Net assets released from restrictions	10,444,461	(10,443,461)	(1,000)	**-**	16,845,302	(16,845,302)	-	-
Total revenues and other support	24,457,717	(3,346,264)	75,686	**21,187,139**	19,730,220	705,812	(114,195)	20,321,837
Expenses:								
Food security	4,119,724	-	-	**4,119,724**	6,322,989	-	-	6,322,989
Primary health care	9,997,373	-	-	**9,997,373**	10,504,860	-	-	10,504,860
Emergency relief and rebuilding	3,570,974	-	-	**3,570,974**	8,632,956	-	-	8,632,956
Total program expenses	17,688,071	-	-	**17,688,071**	25,460,805	-	-	25,460,860
Fund-raising	2,178,485	-	-	**2,178,485**	2,743,277	-	-	2,743,277
Administration	1,088,566	-	-	**1,088,566**	1,579,292	-	-	1,579,292
Total expenses	20,955,122	-	-	**20,955,122**	29,783,374	-	-	29,783,374
Changes in net assets	3,502,595	(3,346,264)	75,686	**232,017**	(10,053,154)	705,812	(114,195)	(9,461,537)
Net assets, beginning of year	8,036,261	13,080,725	724,342	**21,841,328**	18,089,415	12,374,913	838,537	31,302,865
Net assets, end of year	$ 11,538,856	$ 9,734,461	$ 800,028	**$ 22,073,345**	$ 8,036,261	$ 13,080,725	$ 724,342	$ 21,841,328

The accompanying notes are an integral part of these financial statements.

Episcopal Relief & Development

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Changes in net assets	**$ 232,017**	$ (9,461,537)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Change in value of beneficial interest in outside trusts	**(76,686)**	114,195
Depreciation	**22,751**	19,585
Change in allowance for doubtful accounts	**(63,167)**	76,500
Change in discount on contribution receivables	**22,441**	51,771
Net realized and unrealized (gain) loss on investments	**(2,645,561)**	6,395,157
Changes in assets and liabilities:		
Receivables	**1,618,762**	(2,808,553)
Prepaid expenses	**(92,732)**	16,696
Accounts payable and accrued expenses	**243,476**	1,171,415
Grants payable	**-**	27,164
Due to DFMS	**(286,846)**	(53,429)
Accrued postretirement benefits other than pensions	**79,794**	88,354
Net cash used in operating activities	**(945,751)**	(4,362,682)
Cash flows from investing activities:		
Purchases of equipment	**(48,068)**	(34,035)
Purchases of investments	**(494,088)**	(1,206,097)
Distribution from trust funds	**1,261,251**	864,410
Net cash provided by (used in) investing activities	**719,095**	(375,722)
Net decrease in cash and cash equivalents	**(226,656)**	(4,738,404)
Cash and cash equivalents, beginning of year	**4,730,717**	9,469,121
Cash and cash equivalents, end of year	**$ 4,504,061**	$ 4,730,717

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE A - ORGANIZATION AND NATURE OF ACTIVITIES

Episcopal Relief & Development (the "Organization") is an affiliate of the Domestic and Foreign Missionary Society of the Protestant Episcopal Church in the United States of America (the "Society" or "DFMS"). Episcopal Relief & Development was established by resolution of the General Convention in 1940 in order to meet the needs of refugees fleeing the war in Europe. Today, the Organization is a compassionate response of the Episcopal Church to human suffering in the world. Hearing God's call to seek and serve Christ in all persons and to respect the dignity of every human being, the Organization serves to bring together the generosity of Episcopalians and others to heal a hurting world.

Episcopal Relief & Development was incorporated in July 2002 and has been classified by the Internal Revenue Service as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code in accordance with an agreement between the Executive Council of the Episcopal Church and the Organization. The accompanying financial statements include the activity of the Organization as a stand-alone entity as of and for the years ended December 31, 2009 and 2008. The Organization's financial position, changes in net assets and cash flows are also included in the Society's consolidated financial statements as of and for the years ended December 31, 2009 and 2008.

Working with Anglican and ecumenical partners, the Organization implements programs in the following areas:

1. *Food Security*

   This program works to alleviate hunger and improve the food supply by ensuring that people have the tools to access and secure healthy food sources. The Organization's programs make sure families have enough food to eat on a daily basis and that food supplies are available, affordable and accessible. Food security programs consisted of the following:

   - Equip people with knowledge, skills, tools, animals and improved seeds to ensure their families have enough food to eat year round
   - Provide vocational training and micro-finance opportunities for people to create small businesses and expand sources of income
   - Give families healthy animals which produce food and income

2. *Primary Health Care*

   This program promotes health and fights disease, ensuring that children and families live healthier lives. Globally, the Organization works in partnership with local communities to provide access to treatment, medicines, clean water, safe environments, prevention education and care to vulnerable people, such as mothers and their children. Primary health care programs consisted of the following:

NOTE A (continued)

- Educate and train communities and local health workers on preventable illnesses and proper sanitation practices
- Provide people access to basic health care by supplying immunizations, medicine and treatment in vulnerable communities
- Build clean water systems and sanitation systems to ensure a safe and available water supply for drinking and bathing
- Protect people from contracting infectious diseases such as HIV/AIDS and malaria through training, prevention education, delivery of insecticide-treated nets and care for people directly impacted by these diseases
- Supply families with smokeless stoves to prevent respiratory illnesses
- Support clinics and hospitals in crisis settings

3. *Emergency Relief and Rebuilding*

This program provides critical disaster relief assistance immediately after human-made and natural disasters such as hurricanes, earthquakes, floods and war around the world and helps communities rebuild. In the United States, the Organization responds to devastated communities after the immediate crisis is over. Emergency relief and rebuilding programs consisted of the following:

- Deliver life-saving supplies, such as medicine, blankets and food supplies, and provide shelter to children, women and other vulnerable people
- Rebuild devastated areas and work with local communities to assess long-term development needs and implement these recovery plans including providing assistance in rebuilding homes, schools, health clinics, water systems, and training people to start small businesses
- Support domestic disaster response programs in collaboration with local Episcopal dioceses to help marginalized, impoverished and distressed people recover

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. *Basis of Presentation*

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America.

NOTE B (continued)

The Organization's net assets consist of the following:

Unrestricted - net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets also include those net assets which are designated for a certain purpose by the Organization's Board of Directors.

Temporarily restricted - net assets resulting from contributions and inflows of assets whose use by the Organization is limited by donor-imposed stipulations that either expire with the passage of time or can be fulfilled by actions of the Organization pursuant to those stipulations.

Permanently restricted - net assets resulting from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled by actions of the Organization. Donor-imposed stipulations require that the principal be maintained in perpetuity.

The significant amount of unrestricted and temporarily restricted net assets of the Organization results from the Board's insistence on expending the funds wisely to ensure that the grant recipients derive the maximum long-term benefits from these funds as intended by the original donors to the Organization.

2. *Cash and Cash Equivalents*

The Organization considers all highly liquid investments with original maturities of less than three months from the date of purchase to be cash and cash equivalents, except for those cash equivalents which are included in the Organization's investment accounts and intended for long-term investment purposes.

3. *Concentration of Credit Risk*

Financial instruments which potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents. The Organization maintains its cash and cash equivalents with creditworthy, high-quality financial institutions. At certain times the Organization's cash account balances may exceed federally insured limits. However, the Organization has not experienced, nor does it anticipate, any losses with respect to these bank accounts.

NOTE B (continued)

4. *Investments*

Investments, which consist of both marketable and nonmarketable securities, are stated at quoted market values or values provided by the respective fund manager or general partner and consist of two trust funds, each of which have both donor and board-designated funds that are held and managed by the Society. The income from these trust funds is used to support the administrative and program activities of the Organization. Realized and unrealized gains or losses from the trust funds are reflected in the accompanying statements of activities. The investment portfolio consists of common stock, bonds, mutual funds, certificates of deposit, alternative investments, money market funds and cash equivalents. Each trust fund in the portfolio holds a designated number of shares in the pool or the portfolio as a whole. The value assigned to a share fluctuates with the changing value of the underlying investments. The number of shares assigned to each trust fund changes only when additions are made usually by gifts or contributions or by reinvestment of income distributions or by withdrawals of principal from those funds whose terms permit withdrawals of principal.

5. *Fair Value Measurements*

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. As required by U.S. Generally Accepted Accounting Principles for fair value measurement, the Organization uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities include investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed.

NOTE B (continued)

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management's best estimate of fair value where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by an entity. The Organization considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Organization's perceived risk of that instrument.

6. *Valuation of Investments*

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities. The Organization does not adjust the quoted price for such instruments, even in situations where the Organization holds a large position and a sale could reasonably impact the quoted price.

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations not classified as Level 1, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or nontransferability, which are generally based on available market information.

NOTE B (continued)

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). When observable prices are not available for these securities, the Organization uses one or more valuation techniques (e.g., the market approach, the income approach or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the Organization in estimating the value of Level 3 investments include the original transaction price, recent transactions of the same or for similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or nontransferability, with the amount of such discount estimated by the Organization in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Organization, in valuing Level 3 investments, due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Organization's changes in net assets.

7. *Fixed Assets*

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the respective assets (30 years for buildings and building improvements and 5 years for furniture, vehicles, and equipment). Property and equipment costing greater than $1,500 and with useful lives greater than one year are capitalized.

8. *Beneficial Interest in Outside Trusts*

From time to time, certain donors have established trusts with third-party administrators, typically banks or other Episcopal entities, the terms of which require the income earned from such gifts to be paid to the Organization and/or other specified beneficiaries and the principal to be invested in perpetuity. Historically, the income received from these outside trusts has been recorded as either temporarily restricted or unrestricted revenue based upon the respective donor's imposed stipulations. The fair value of these outside trust assets is recognized as a component of permanently restricted net

NOTE B (continued)

assets. The beneficial interest in outside trusts is adjusted each year and the change is recognized in the statement of activities based on changes in the market value of the trusts' underlying investments. The Organization's beneficial interest in outside trusts is classified as Level 3 within the FASB's fair value hierarchy as of December 31, 2009 and 2008.

The following table summarizes the changes in fair value associated with the Organization's beneficial interest in outside trusts for the years ended December 31, 2009 and 2008:

	2009	2008
Balance as of beginning of the year	$ 298,132	$ 412,327
Unrealized gains (losses)	76,686	(114,195)
Balance as of end of the year	$ 374,818	$ 298,132

9. *Contributions*

Contributions, including unconditional promises to give (pledges), are reported as revenues in the period received or pledged. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted using an appropriate credit adjusted discount rate which articulates with the collection period of the respective pledge. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any. An allowance for uncollectible contributions receivable is provided based upon management's judgment including such factors as prior collection history, type of contribution and nature of fund-raising activity.

10. *Payroll, Pension and Retirement Plans*

The Society is fully reimbursed by the Organization for all costs associated with the administration of employee benefits including pension and postretirement costs. See Notes F and G for details of the plans.

11. *Contributed Services*

Contributed services are valued at their estimated fair market value and are recognized as revenue and expenses in the accompanying statements of activities. Contributed services for the years ended December 31, 2009 and 2008 totaled $1,304,436 and $946,412, respectively. Such services include office space, payroll, financial management and accounting, computer services, human resources, telecommunications and building maintenance provided by the Society; and outside legal services.

NOTE B (continued)

Additionally, a number of volunteers, including members of the Organization's Board of Directors, have made significant contributions of time to the Organization's policy-making, program and support activities. The value of such services does not meet the criteria for recognition of contributed services under accounting principles generally accepted in the United States of America and, accordingly, is not reflected in the accompanying financial statements.

12. *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 judgments that affect the reported amounts of assets and liabilities, the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the discounting of receivables; realizability of receivables; actuarial valuations; useful lives assigned to fixed assets; and the reported fair value of certain of the Organization's assets and liabilities. Actual results may differ from these estimates.

13. *Tax Status*

The income taxes topic number 740, "Income Taxes" of the FASB Accounting Standards Codification ("Codification") establishes criterion that an individual tax position has to meet for some or all the benefits of that position to be recognized in an entity's financial statements. On initial application, this criterion will be applied to all tax positions for which the statute of limitations remains open. Only tax positions that meet the "more-likely-than-not" recognition threshold at the adoption date will be recognized or continue to be recognized. The effectiveness for applying this criterion was adopted by the Organization on January 1, 2009, and had no material impact on the Organization's financial statements. Management believes that the Organization has not taken any uncertain tax positions. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; determine its filing and tax obligations in jurisdictions for which it has nexus; and to review other matters that may be considered tax positions.

14. *Reclassifications*

In the 2008 statement of activities as originally presented government revenues were included as part of contributions and are now shown separately to conform with the 2009 presentation.

NOTE B (continued)

15. Subsequent Events

The Organization evaluated its December 31, 2009 financial statements for subsequent events through June 8, 2010, the date the financial statements were available to be issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the accompanying financial statements.

NOTE C - RECEIVABLES, NET

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

	2009	2008
Contributions receivable, net	**$ 5,428,456**	$ 7,586,879
Stock gifts receivable	**49,453**	-
Grant receivable	**26,517**	18,477
Other receivables	**528,707**	5,813
Total receivables	**$ 6,033,133**	$ 7,611,169

Contributions receivable, which are recorded at the present value of their expected future cash flows at December 31, 2009 and 2008, are as follows:

	2009	2008
Amounts expected to be collected:		
Within one year	**$ 2,259,558**	$ 3,867,692
In one to five years	**3,343,485**	3,934,500
Total contributions receivable	**5,603,043**	7,802,192
Allowance for uncollectible pledges	**(13,333)**	(76,500)
Present value discount (rates ranging from 1.50% to 6%)	**(161,254)**	(138,813)
Contributions receivables, net	**$ 5,428,456**	$ 7,586,879

NOTE D - INVESTMENTS

Investments are carried at fair market value and are included in the Society's trust fund portfolio which is invested in common stock, bonds, mutual funds, money market funds, alternative investments and cash equivalents. The Organization's trusts hold shares in the overall portfolio rather than the individual financial instruments and therefore would have the same composition of investments as that of the Society's trust fund portfolio. The Organization represented 4.91% and 4.74% of the Society's trust fund portfolio as of December 31, 2009 and 2008, respectively. At December 31, 2009, the Society's investment portfolio was classified within the FASB fair value hierarchy as follows: 89% Level 1, 8% Level 2 and 3% Level 3.

The Society follows the "total return" approach to investments and applies a prudent portion of the realized and unrealized endowment fund returns to meet current designated and undesignated expenditures. Total return consists of two elements: yield and appreciation. Based on the Society's long-term investment strategy, the Executive Council of the Society sets the payout rate on the endowment funds at a percentage (currently 5%) of a five-year moving average market value of the endowment portfolio. Any return in excess of this percentage is reinvested to protect the real dollar value of these funds against the effects of inflation.

Investment return (loss) consisted of the following for the years ended December 31, 2009 and 2008:

	2009	2008
Interest and dividends	**$ 131,847**	$ 198,070
Realized and unrealized gains (losses) - trust funds	**2,645,561**	(6,395,157)
Realized and unrealized gains - outside trusts	**76,686**	(114,195)
Total investment (loss) return	**$ 2,854,094**	$ (6,311,282)

NOTE E - PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at December 31, 2009 and 2008:

	2009	2008
Building improvements	**$ 8,450**	$ 8,450
Other equipment and furnishings	**208,130**	160,062
	216,580	168,512
Less: accumulated depreciation	**(129,285)**	(106,534)
Property and equipment, net	**$ 87,295**	$ 61,978

NOTE E (continued)

Depreciation expense amounted to $22,751 and $19,585 for the years ended December 31, 2009 and 2008, respectively.

NOTE F - PENSION PLAN

The Society maintains a defined contribution plan (the "Plan") for all eligible lay employees, including the Organization's staff. Under the Plan, the Society contributes 5% of eligible salaries and also matches employee contributions to the Plan up to 4%. It is the opinion of the Plan's legal counsel that as a Church Plan, this Plan is exempt from the requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"). Pension expense for this plan recognized in the accompanying financial statements, relating to the Organization's staff, amounted to $204,263 and $184,419 for the years ended December 31, 2009 and 2008, respectively.

NOTE G - POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

DFMS sponsors postretirement plans which provide both health care (fully contributory until the retiree reaches age 65) and life insurance (noncontributory) benefits to both lay and clergy personnel.

The following sets forth the status of the plans, as they relate to the Organization's staff, at December 31, 2009 and 2008:

	2009	2008
Change in benefit obligation:		
Benefit obligation, beginning of year	**$ 255,365**	$ 167,011
Service cost	**64,490**	64,809
Interest cost	**14,679**	11,169
Actuarial loss	**7,380**	18,772
Benefits paid	**(6,755)**	(6,396)
Benefit obligation, end of year	**$ 335,159**	$ 255,365
Change in plan assets:		
Plan assets, beginning of year	**$ -**	$ -
Employer contributions	**6,755**	6,396
Benefits paid	**(6,755)**	(6,396)
Plan assets, end of year	**$ -**	$ -

NOTE G (continued)

	2009	2008
Components of accrued benefit cost:		
Funded status	**$ (335,159)**	$ (255,365)
Unrecognized prior service cost	**7,265**	9,123
Unrecognized actuarial net gain	**(63,129)**	(76,413)
Accrued benefit cost	**$ (391,023)**	$ (322,655)
Amounts recognized in unrestricted net assets consist of:		
Net gain	**$ (63,129)**	$ (76,413)
Prior service cost	**7,265**	9,123
Net amount recognized	**$ (55,864)**	$ (67,290)

The estimated net actuarially gain and prior service cost included in unrestricted net assets expected to be recognized as components of net periodic benefit cost for the year ending December 31, 2010 are $(2,665) and $1,858, respectively.

	2009	2008
Changes in assets and benefit obligations recognized in unrestricted net assets:		
Net loss	**$ 7,380**	$ 18,772
Amortization of unrecognized gain	**5,904**	6,381
Amortization of unrecognized prior service cost	**(1,858)**	(1,858)
Total change recognized in unrestricted net assets	**$ 11,426**	$ 23,295
Total recognized in net periodic benefit cost and unrestricted net assets	**$ 86,549**	$ 94,750

The net periodic postretirement benefit cost for the years ended December 31, 2009 and 2008 included the following components:

	2009	2008
Service cost of benefits earned	**$ 64,490**	$ 64,809
Interest cost on accumulated postretirement benefit obligations	**14,679**	11,169
Amortization of accumulated net loss	**(5,904)**	(6,381)
Amortization of unrecognized prior service cost	**1,858**	1,858
Net periodic postretirement benefit cost	**$ 75,123**	$ 71,455

NOTE G (continued)

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care cost trend rates would have the following effects:

	1-percentage point increase	1-percentage point decrease
Effect on total of service and interest cost	$15,623	$(12,737)
Effect on postretirement benefit obligation	$60,998	$(48,734)

	2009	2008
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	**6.15%**	6.30%
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	**5.75%**	6.15%
Expected long-term return on plan assets	**N/A**	N/A
Assumed health care trend rates at December 31:		
Health care cost trend rate assumed for next year	**5.9%**	7.1%
Rate to which the cost trend rate assumed to decline (ultimate trend rate)	**4.4%**	5.0%
Year that the rate reaches the ultimate trend	**2064**	2013

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Year Ending December 31,	Benefit payments
2010	$ 6,634
2011	7,264
2012	9,893
2013	11,160
2014	12,311
2015-2019	62,058

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE H - NET ASSETS

Temporarily restricted net assets were available for the following purposes and net assets were released from donor restrictions by incurring expenses satisfying the purpose of the restriction, by the passage of time, or by the occurrence of other specific events, as follows for the years ended December 31, 2009 and 2008:

		Fiscal 2009		
	December 31, 2008	Contributions and investment return	Net assets released	**December 31, 2009**
Food security	$ 209,895	$ 1,134,594	$ (1,134,594)	**$ 209,895**
Primary health care	9,177,193	5,641,821	(7,898,588)	**6,920,426**
Emergency relief and rebuilding	3,693,637	320,782	(1,410,279)	**2,604,140**
Total	$ 13,080,725	$ 7,097,197	$ (10,443,461)	**$ 9,734,461**

		Fiscal 2008		
	December 31, 2007	Contributions and investment return	Net assets released	December 31, 2008
Food security	$ 216,648	$ 1,000,680	$ (1,007,433)	$ 209,895
Primary health care	4,797,950	13,975,015	(9,595,772)	9,177,193
Emergency relief and rebuilding	7,360,315	2,575,419	(6,242,097)	3,693,637
Total	$ 12,374,913	$ 17,551,114	$ (16,845,302)	$ 13,080,725

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

	2009	2008
Endowment fund	**$ 425,210**	$ 426,210
Beneficial interest in investments held by third-party trustees	**374,818**	298,132
	$ 800,028	$ 724,342

NOTE I - ENDOWMENT FUNDS

The Uniform Management of Institutional Funds Acts ("UMIFA") as enacted by the State of New York in 1978 applies to all the institutional funds of the Organization unless the donor has specifically directed otherwise. The Board of Directors of the Organization interprets UMIFA as requiring the preservation of the "historic dollar value" of the original gift as of the gift date for donor-restricted endowment funds in the absence of explicit donor stipulations to the contrary. As a result of such interpretation, the Organization classifies as permanently restricted net assets the original value of donor-restricted endowment funds, the original value of subsequent gifts to donor-restricted endowment funds and the value of accumulations to such funds made in accordance with the applicable gift instrument at the time the relevant accumulation was added to the fund.

The remaining portion of the donor-restricted endowment fund not classified in permanently restricted net assets is classified either as unrestricted or temporarily restricted net assets, depending on the intent of each endowment fund until those amounts are appropriated for expenditure by the Organization in a manner consistent with the uses, benefits, purposes and duration for which the endowment is established and the standard of prudence prescribed by UMIFA.

The Organization has a policy of appropriating for distribution each year a Board of Directors approved spending rate of its endowment fund's average fair value over twelve rolling quarters. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to grow at a pace at least equal to inflation. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s). Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of appropriate benchmarks without putting the assets at imprudent risk.

To satisfy its long-term objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization in cooperation with the Society, targets a diverse asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NOTE I (continued)

In August 2008, the FASB issued new accounting guidance related to the disclosure of endowment funds and addresses the net asset classification of donor-restricted endowment funds for organizations subject to an enacted version of the 2006 Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). A key component of this guidance is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. Should the State of New York adopt a version of UPMIFA in a future period, the Organization will need to interpret the relevant law at that time. In addition, the FASB issued guidance requiring new disclosures about an organization's donor-restricted and board-designated endowment funds. The Organization adopted the disclosure requirements as of December 31, 2008, as required.

	2009			
Composition of Endowment Net Assets By Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total**
Donor-restricted endowment funds	$ -	$ -	$ 425,210	$ 425,210
Board-designated quasi-endowment funds	12,922,693	-	-	12,922,693
Total	$ 12,922,693	$ -	$ 425,210	**$ 13,347,903**
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 10,453,566	$ -	$ 426,210	**$ 10,879,776**
Investment return:				
Investment income		-	-	
Net appreciation (realized and unrealized)	2,078,841	-	-	**2,078,841**
Contributions	495,088			**495,088**
Appropriation of endowment assets for expenditure	(104,802)	-	-	**(104,802)**
Transfer out of endowment funds	-	-	(1,000)	**(1,000)**
Endowment net assets, end of year	$ 12,922,693	$ -	$ 425,210	**$ 13,347,903**

	2008			
Composition of Endowment Net Assets By Type of Fund	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ -	$ 426,210	$ 426,910
Board-designated quasi-endowment funds	10,453,566	-	-	10,453,566
Total	$ 10,453,566	$ -	$ 426,910	$ 10,879,776

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2009 and 2008

NOTE I (continued)

Changes in Endowment Net Assets	2008 Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 17,336,515	$ -	$ 426,210	$ 18,175,051
Investment return (loss):				
Investment income	333,428	-	-	333,428
Net depreciation (realized and unrealized)	(6,380,661)	-	-	(6,380,661)
Contributions	1,191,601	-	-	1,191,601
Appropriation of endowment assets for expenditure	(1,872,140)	-	-	(1,872,140)
Endowment net assets, end of year	$ 10,608,743	$ -	$ 426,210	$ 11,034,953

Investment management and custodial fees pertaining to the endowment fund for the years ended December 31, 2009 and 2008 totaled $102,968 and $91,379, respectively, and have been netted against investment income in the schedules above.

NOTE J - FUNCTIONAL ALLOCATION

Expenditures allocated to functional categories based on program and administrative activities are as follows for the year ended December 31, 2009, with comparative totals for the year ended December 31, 2008:

	Program services				Supporting services			
	Food security	Primary Health care	Emergency relief and rebuilding	Total	Fund -raising	Administration	**2009 Total**	2008 Total
Direct support	$ 3,297,798	$ 6,847,677	$ 2,781,226	$ 12,926,701	$ -	$ -	**$ 12,926,701**	$ 21,262,358
Contributed services	171,253	355,597	144,428	671,278	242,499	264,659	**1,178,436**	877,494
Federal grants	-	549,057	-	549,057	-	-	**549,057**	187,272
Salaries	289,401	1,031,035	274,033	1,594,469	583,758	300,105	**2,478,332**	2,712,631
Employee benefits	83,478	291,406	78,603	453,487	179,672	135,728	**768,887**	814,270
Insurance	-	-	-			32,070	**32,070**	68,527
Printing and mailing costs	22,759	98,646	19,194	140,599	784,913	9,669	**935,181**	940,065
Advertising and promotion	965	12,091	814	13,870	39,702	56,223	**109,795**	75,465
Telephone	7,987	41,194	6,736	55,917	6,828	2,996	**65,741**	69,353
Rent and utilities	-	5,882	-	5,882	-	-	**5,882**	28,589
Equipment and depreciation	3,466	24,196	2,923	30,585	78	37,521	**68,184**	117,454
Bank charges, legal and accounting fees	1,551	4,161	83,338	89,050	-	186,893	**275,943**	453,561
Office supplies	652	8,742	550	9,944	1,094	2,813	**13,851**	28,720
Resource and reference	72	149	61	282	1,697	269	**2,248**	8,162
Consultants	52,684	315,803	66,494	434,981	297,537	15,924	**748,442**	1,014,213
Travel	87,826	344,583	85,299	517,708	25,637	33,679	**577,024**	805,784
Conferences/workshops/ memberships/meeting expense	99,832	67,154	27,275	194,261	15,070	10,017	**219,348**	319,456
Total expenses	$ 4,119,724	$ 9,997,373	$ 3,570,974	$ 17,688,071	$ 2,178,485	$ 1,088,566	**$ 20,955,122**	$ 29,783,374