Financial Statements and
Report of Independent Certified Public Accountants

EPISCOPAL RELIEF & DEVELOPMENT

December 31, 2011 and 2010

EPISCOPAL RELIEF & DEVELOPMENT

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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, 2011 and 2010, 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 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, 2011 and 2010, 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
July 12, 2012

EPISCOPAL RELIEF & DEVELOPMENT
Statements of Financial Position
As of December 31, 2011 and 2010

ASSETS	2011	2010
Cash and cash equivalents	$ 13,189,374	$ 12,320,525
Receivables, net (Note 3)	2,715,957	4,391,263
Beneficial interest in trusts held by DFMS (Note 4)	14,278,593	15,007,128
Prepaid expenses and other assets	275,820	240,839
Beneficial interest in outside trusts held by others	380,461	388,513
Property and equipment, net (Note 5)	41,282	62,550
Total assets	$ 30,881,487	$ 32,410,817
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	$ 996,482	$ 635,803
Amounts due to DFMS	23,826	121,313
Accrued postretirement benefits other than pensions (Note 7)	674,781	498,193
Total liabilities	1,695,089	1,255,309
NET ASSETS (Note 2)		
Unrestricted	12,476,799	12,656,936
Temporarily restricted (Note 8)	15,853,928	17,684,849
Permanently restricted (Note 8)	855,671	813,723
Total net assets	29,186,398	31,155,508
Total liabilities and net assets	$ 30,881,487	$ 32,410,817

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

EPISCOPAL RELIEF & DEVELOPMENT
Statements of Activities
For the years ended December 31, 2011 and 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES AND OTHER SUPPORT								
Contributions, bequests, grants, and other	$ 8,611,648	$ 10,194,802	$ 50,000	$ 18,856,450	$ 7,425,241	$ 22,764,278	$ -	$ 30,189,519
Investment (loss) return (Note 4)	(267,837)	-	(8,052)	(275,889)	2,035,930	61,655	13,695	2,111,280
Government contracts	1,791,928	-	-	1,791,928	1,525,131	-	-	1,525,131
Contributed services (Note 2)	1,174,733	-	-	1,174,733	1,094,344	-	-	1,094,344
Other income	108,071	-	-	108,071	50,600	-	-	50,600
Net assets released from restrictions	12,025,723	(12,025,723)	-	-	15,135,428	(15,135,428)	-	-
Total revenues and other support	23,444,266	(1,830,921)	41,948	21,655,293	27,266,674	7,690,505	13,695	34,970,874
EXPENSES								
Food security	3,490,303	-	-	3,490,303	3,820,321	-	-	3,820,321
Primary health care	9,085,783	-	-	9,085,783	11,265,135	-	-	11,265,135
Emergency relief and rebuilding	7,838,413	-	-	7,838,413	7,904,519	-	-	7,904,519
Total program expenses	20,414,499	-	-	20,414,499	22,989,975	-	-	22,989,975
Fundraising	1,905,671	-	-	1,905,671	2,067,226	-	-	2,067,226
Administration	1,304,233	-	-	1,304,233	831,510	-	-	831,510
Total expenses	23,624,403	-	-	23,624,403	25,888,711	-	-	25,888,711
Changes in net assets	(180,137)	(1,830,921)	41,948	(1,969,110)	1,377,963	7,690,505	13,695	9,082,163
Reclassification of net assets due to change in law (Note 9)	-	-	-	-	(259,883)	259,883	-	-
Net assets, beginning of year	12,656,936	17,684,849	813,723	31,155,508	11,538,856	9,734,461	800,028	22,073,345
Net assets, end of year	$ 12,476,799	$ 15,853,928	$ 855,671	$ 29,186,398	$ 12,656,936	$ 17,684,849	$ 813,723	$ 31,155,508

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

EPISCOPAL RELIEF & DEVELOPMENT
Statements of Cash Flows
For the years ended December 31, 2011 and 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (1,969,110)	$ 9,082,163
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Change in value of beneficial interest in outside trusts held by others	8,052	(13,695)
Depreciation	21,268	24,745
Change in allowance for doubtful accounts	78,033	(66,891)
Change in discount on contribution receivables	(51,189)	99,340
Net realized and unrealized gain (loss) on investments	565,772	(1,811,680)
Changes in assets and liabilities:		
Receivables	1,648,462	1,371,376
Prepaid expenses and other assets	(34,982)	103,589
Accounts payable and accrued expenses	360,679	(1,527,532)
Amounts due to DFMS	(97,487)	(189)
Accrued postretirement benefits other than pensions	176,588	163,034
Net cash provided by operating activities	706,086	7,424,260
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(531,263)	(295,513)
Distributions from trust funds	694,026	687,717
Net cash provided by investing activities	162,763	392,204
Net increase in cash and cash equivalents	868,849	7,816,464
Cash and cash equivalents, beginning of year	12,320,525	4,504,061
Cash and cash equivalents, end of year	$ 13,189,374	$ 12,320,525

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

1. 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, 2011 and 2010. 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, 2011 and 2010.

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

Food Security

This program works to alleviate hunger and improve the food supply by ensuring that people have the tools to access and maintain 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 consist of the following:

- Distributing livestock to families, boosting their ability to cultivate their land and generate income from selling eggs and dairy
- Providing tools, seeds, and other resources to support family farms
- Teaching farming techniques
- Supporting sustainable agriculture
- Providing vocational training and micro-finance opportunities for people to start small businesses and expand sources of income

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 consist of the following:

- Building clean water and sanitation systems, including wells and latrines
- Providing medicines and immunizations
- Training health workers to educate communities about disease prevention
- Offering maternal and child health programs and caring for children orphaned by HIV/AIDS
- Preventing diseases such as malaria through education and intervention

Emergency Relief and Rebuilding

This program supports the disaster relief and recovery efforts of Church and ecumenical partners worldwide. Internationally, the Organization provides assistance to local organizations that are caring for people's basic needs following disasters such as hurricanes, earthquakes and floods, and in the midst of crises such as civil conflicts. In the United States, the Organization works primarily through Episcopal dioceses to assist with disaster preparedness planning and support local relief and recovery activities. Emergency relief and rebuilding programs consist of the following:

- Responding quickly with critical assistance
- Rebuilding/repairing homes, schools, clinics, and other civic buildings
- Training communities to respond to disasters
- Offering trauma counseling
- Supporting the restoration of the social and economic fabric of communities

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The Organization's net assets consist of the following:

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.

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.

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(s) by the Organization's Board of Directors.

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

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.

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.

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 measurements, the Organization uses a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that 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.

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.

In January 2010, the FASB issued additional fair value guidance that required additional disclosures. This guidance requires entities to disclose transfers of assets in and out of Levels 1 and 2 of the fair value hierarchy and the reasons for those transfers. The standard was effective for the Organization's fiscal 2011 financial statements. In addition, the guidance requires separate presentation of purchases and sales in the Level 3 asset reconciliation; this will be effective for the Organization's fiscal 2012 financial statements. The adoption of this guidance is not expected to have a material impact on the Organization's financial statements.

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

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.

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. The income received from these outside trusts has been recorded as either temporarily restricted or unrestricted support 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 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 fair 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, 2011 and 2010.

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, 2011 and 2010:

	2011	2010
Balance as of beginning of the year	$ 388,513	$ 374,818
Realized and unrealized (losses) gains	(8,052)	13,695
Balance as of end of the year	$ 380,461	$ 388,513

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 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.

Payroll, Pension and Retirement Plans

The Society, which provides and administers certain employee benefit plans on behalf of the Organization, is fully reimbursed by the Organization for all related costs. See Notes 6 and 7 for details of the plans.

Contributed Services

Contributed services are valued at their estimated fair value and are recognized as revenues and expenses in the statement of activities. Contributed services for the years ended December 31, 2011 and 2010, totaled $1,174,733 and $1,094,344, respectively. Such contributed 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.

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.

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. Actual results may differ from these estimates.

Income Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This standard provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The standard also provides guidance on measurement, classification, interest and penalties, and disclosure and had no impact on the accompanying financial statements. The tax years ended 2008, 2009 and 2010 are still open to audit for both federal and state purposes. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

Reclassifications

Certain reclassifications have been made to the prior year financial statements to conform to the current year's presentation. Such reclassifications did not change total assets, liabilities, revenues, expenses or changes in net assets as reflected in the 2010 financial statements.

Subsequent Events

The Organization evaluated its December 31, 2011 financial statements for subsequent events through July12, 2012, the date the financial statements were available to be issued.

3. RECEIVABLES, NET

Receivables consist of the following at December 31, 2011 and 2010:

	2011	2010
Contributions receivable, net	$ 2,031,135	$ 3,781,909
Stock gifts receivable	29,766	42,476
Matching gifts receivable	62,146	52,259
Government grants	592,910	514,619
Total receivables	$ 2,715,957	$ 4,391,263

Contributions receivable, which are recorded at the present value of their expected future cash flows, at December 31, 2011 and 2010, are as follows:

	2011	2010
Amounts expected to be collected:		
Within one year	$ 1,756,762	$ 1,910,784
In one to five years	443,355	2,013,263
Total contributions receivable	2,200,117	3,924,047
Allowance for uncollectible pledges	(158,257)	(80,224)
Present value discount (rates ranging from 1.50% to 6.00%)	(10,725)	(61,914)
Contributions receivables, net	$ 2,031,135	$ 3,781,909

4. BENEFICIAL INTEREST IN TRUSTS HELD BY THE SOCIETY

The Organization maintains two beneficial interests in trusts, that are held and managed by the Society, and which consist of both marketable and non-exchange traded securities. Such beneficial interests are reported at quoted fair values or values provided by the respective fund manager or general partner. Earnings from these trust funds are used to support the administrative and program activities of the Organization. The change in fair value of the trust funds is 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 of the Society as a whole. The fair 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 such withdrawals.

The Organization's trusts hold shares in the overall portfolio of the Society rather than the individual financial instruments and therefore have the same composition of investments as that of the Society's total trust fund portfolio. The Organization's trust funds represent 5.09% and 4.91% of the Society's total trust fund investment portfolio as of December 31, 2011 and 2010, respectively. At December 31, 2011, the Society's investment portfolio was classified within the FASB fair value hierarchy as follows: 76% Level 1, 15% Level 2 and 9% Level 3. At December 31, 2010, the Society's investment portfolio was classified within the FASB fair value hierarchy as follows: 81% Level 1, 14% Level 2 and 5% Level 3. While principally all of the underlying trusts' investments are readily marketable, based on quoted fair values, since the Organization's beneficial interest in the trusts cannot be priced on an active exchange, the interests in the trusts is classified as Level 3.

The Society follows the "total return" approach to investments and utilizes a prudent portion of realized and unrealized endowment fund returns to provide for current designated and undesignated expenditures annually. Total return consists of two elements: yield and appreciation. Based on the Organization's long-term investment strategy, the Board of Directors of the Organization sets the payout rate on the endowment funds at a percentage (currently 5%) of a five-year moving average fair 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.

The following table summarizes the changes in fair value associated with the Organization's beneficial interest in trusts held by the Society for the years ended December 31, 2011 and 2010:

	2011	2010
Balance, beginning of year	$ 15,007,128	$ 13,587,652
Contributions	531,262	295,513
Realized and unrealized gains and investment income	(289,480)	2,087,478
Management fees	(101,624)	(106,483)
Distribution - spending policy withdrawal	(868,693)	(857,032)
Balance, end of year	$ 14,278,593	$ 15,007,128

5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following at December 31, 2011 and 2010:

	2011	2010
Leasehold improvements	$ 8,450	$ 8,450
Equipment and furniture	208,130	208,130
	216,580	216,580
Accumulated depreciation	(175,298)	(154,030)
Property and equipment, net	$ 41,282	$ 62,550

Depreciation expense amounted to $21,268 and $24,745 for the years ended December 31, 2011 and 2010, respectively.

6. 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 Organization 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 $227,244 and $221,970 for the years ended December 31, 2011 and 2010, respectively.

7. POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Society 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, 2011 and 2010:

	2011	**2010**
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 498,193	$ 335,159
Service cost	79,571	83,578
Interest cost	23,999	20,754
Actuarial loss	79,773	65,457
Benefits paid	(6,755)	(6,755)
Benefit obligation, end of year	$ 674,781	$ 498,193
Change in plan assets:		
Plan assets, beginning of year	$ -	$ -
Employer contributions	6,755	6,755
Benefits paid	(6,755)	(6,755)
Plan assets, end of year	$ -	$ -
Components of accrued benefit cost:		
Funded status	$ (674,781)	$ (498,193)
Unrecognized prior service cost	3,549	5,407
Unrecognized actuarial net gain	82,213	2,440
Accrued benefit cost	$ (589,019)	$ (490,346)
Amounts recognized in unrestricted net assets consist of:		
Net gain	$ 82,213	$ 2,440
Prior service cost	3,549	5,407
Net amount recognized	$ 85,762	$ 7,847

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, 2012 are $1,301 and $1,858, respectively.

	2011	**2010**
Changes in assets and benefit obligations recognized in unrestricted net assets:		
Net loss	$ 79,773	$ 65,457
Amortization of unrecognized gain	-	112
Amortization of unrecognized prior service cost	(1,858)	(1,858)
Total change recognized in unrestricted net assets	$ 77,915	$ 63,711
Total recognized in net periodic benefit cost and unrestricted net assets	$ 183,343	$ 169,789

The net periodic postretirement benefit cost for the years ended December 31, 2011 and 2010 included the following components:

	2011	**2010**
Service cost of benefits earned	$ 79,571	$ 83,578
Interest cost on accumulated postretirement benefit obligations	23,999	20,754
Amortization of accumulated net (gain)	-	(112)
Amortization of unrecognized prior service cost	1,858	1,858
Net periodic postretirement benefit cost	$ 105,428	$ 106,078

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	$ 28,675	$ (22,215)
Effect on postretirement benefit obligation	$ 135,661	$ (107,010)

	2011	2010
Weighted-average assumptions used to determine benefit obligations at December 31:		
Discount rate	4.20 %	5.25 %
Weighted-average assumptions used to determine net periodic benefit cost for years ended December 31:		
Discount rate	5.25 %	5.75 %
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	6.00 %	6.00 %
Rate to which the cost trend rate assumed to decline (ultimate trend rate)	4.70 %	4.70 %
Year that the rate reaches the ultimate trend	2082	2082

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

Year Ending December 31:	Benefit Payments
2012	$ 11,660
2013	12,942
2014	14,181
2015	12,802
2016	15,405
2017 - 2021	78,549

8. 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, 2011 and 2010:

	Fiscal 2011			
	December 31, 2010	Contributions	Net Assets Released	December 31, 2011
Food security	$ 266,768	$ 820,457	$ (1,087,225)	$ -
Primary health care	2,839,981	5,086,138	(5,678,820)	2,247,299
Emergency relief and rebuilding	14,578,100	4,288,207	(5,259,678)	13,606,629
Total	$ 17,684,849	$ 10,194,802	$ (12,025,723)	$ 15,853,928

	Fiscal 2010			
	December 31, 2009	**Contributions and other**	**Net assets released**	**December 31, 2010**
Food security	$ 209,895	$ 1,090,960	$ (1,034,087)	$ 266,768
Primary health care	6,920,426	4,451,344	(8,531,789)	2,839,981
Emergency relief and rebuilding	2,604,140	17,543,512	(5,569,552)	14,578,100
Total	$ 9,734,461	$ 23,085,816	$ (15,135,428)	$ 17,684,849

Permanently restricted net assets consist of the following at December 31, 2011 and 2010:

	2011	**2010**
Endowment funds	$ 475,210	$ 425,210
Beneficial interest in outside trusts held by others	380,461	388,513
	$ 855,671	$ 813,723

9. ENDOWMENT FUNDS

The Organization has adopted the provisions of "Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds" of the Accounting Standards Codification. This standard provides guidance on classifying the net assets associated with donor-restricted endowment funds held by organizations subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), passed by the State of New York in September 2010, and also requires additional disclosures about endowments for both donor-restricted funds and board-designated funds.

Under New York State UPMIFA ("NYPMIFA"), the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to its permanent endowment, (b) the original value of subsequent gifts to its permanent endowment; and, the (c) accumulations to its permanent endowment made in accordance with the directions of the applicable donor gift instrument, at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted nets assets until such amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions; other resources of the Organization; and the investment policy of the Organization.

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 the preceding five years. 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. 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.

With the exception of endowment pledges and beneficial interest in outside trusts held by others, the following tables summarize endowment net asset composition by type of fund as of December 31, 2011 and 2010:

	2011			
Composition of Endowment Net Assets By Type of Fund	**Unrestricted**	**Temporarily Restricted**	**Permanently Restricted**	**Total**
Donor-restricted endowment funds	$ -	$ 249,495	$ 475,210	$ 724,705
Board-designated quasi-endowment funds	13,553,888	-	-	13,553,888
Total	$ 13,553,888	$ 249,495	$ 475,210	$ 14,278,593
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$ 14,265,906	$ 316,012	$ 425,210	$ 15,007,128
Investment return:				
Investment income	275,030	14,706	-	289,736
Net depreciation (realized and unrealized)	(545,956)	(33,260)	-	(579,216)
Contributions	481,262	-	50,000	531,262
Management fees	(97,751)	(3,873)	-	(101,624)
Appropriation of endowment assets for expenditure	(824,603)	(44,090)	-	(868,693)
Endowment net assets, end of year	$ 13,553,888	$ 249,495	$ 475,210	$ 14,278,593

Composition of Endowment Net Assets By Type of Fund	2010 Unrestricted	2010 Temporarily Restricted	2010 Permanently Restricted	2010 Total
Donor-restricted endowment funds	$ -	$ 316,012	$ 425,210	$ 741,222
Board-designated quasi-endowment funds	14,265,906	-	-	14,265,906
Total	$14,265,906	$ 316,012	$ 425,210	$15,007,128
Changes in Endowment Net Assets				
Endowment net assets, beginning of year	$13,162,442	$ -	$ 425,210	$13,587,652
Net asset reclassification based on change in law	(259,883)	259,883	-	-
Endowment net assets after reclassification	12,902,559	259,883	425,210	13,587,652
Investment return:				
Investment income	237,771	12,370	-	250,141
Net appreciation (realized and unrealized)	1,788,053	49,284	-	1,837,337
Contributions	295,513	-	-	295,513
Management fees	(106,483)	-	-	(106,483)
Appropriation of endowment assets for expenditure	(851,507)	(5,525)	-	(857,032)
Endowment net assets, end of year	$14,265,906	$ 316,012	$ 425,210	$15,007,128

10. FUNCTIONAL ALLOCATION

Expenditures allocated to functional categories based on program and administrative activities are as follows for the year ended December 31, 2011, with comparative totals for the year ended December 31, 2010:

	Program services				Supporting services			
	Food security	Primary health care	Emergency relief and rebuilding	Total	Fund -raising	Administration	2011 Total	2010 Total
Direct support	$ 2,914,253	$ 4,951,227	$ 5,661,415	$ 13,526,895	$ -	$ -	$ 13,526,895	$ 16,286,700
Contributed services	75,801	379,006	270,718	725,525	173,260	160,953	1,059,738	938,825
Federal grants	-	1,491,589	-	1,491,589	-	-	1,491,589	1,264,385
Salaries	248,213	1,175,783	935,159	2,359,155	588,261	369,017	3,316,433	2,971,185
Employee benefits	74,511	306,767	245,296	626,574	156,386	282,415	1,065,375	866,655
Insurance	-	-	-	-	-	24,943	24,943	41,036
Printing and mailing costs	24,833	63,234	63,134	151,201	627,025	154,280	932,506	946,718
Advertising and promotion	80	487	808	1,375	58,661	-	60,036	68,694
Telephone	5,316	33,739	16,264	55,319	6,397	5,547	67,263	80,528
Rent and utilities	-	56,497	-	56,497	-	-	56,497	54,264
Equipment and depreciation	504	16,061	2,340	18,905	879	24,453	44,237	110,053
Bank charges, legal and accounting fees	10,560	27,938	60,175	98,673	61	142,682	241,416	342,650
Office supplies	747	27,827	1,723	30,297	4,120	9,229	43,646	12,563
Resource and reference materials	130	302	287	719	-	442	1,161	2,870
Consultants	35,178	160,555	220,139	415,872	207,941	42,412	666,225	909,987
Travel	67,306	315,942	269,560	652,808	49,896	46,983	749,687	777,361
Conferences/workshops/							-	
memberships/meeting expense	32,871	78,829	91,395	203,095	32,784	40,877	276,756	214,235
Total expenses	$ 3,490,303	$ 9,085,783	$ 7,838,413	$ 20,414,499	$ 1,905,671	$ 1,304,233	$ 23,624,403	$ 25,888,711