

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)

FINANCIAL STATEMENTS
SUPPLEMENTARY INFORMATION
AND INDEPENDENT AUDITOR'S REPORT

Years Ended December 31, 2005 and 2004

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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

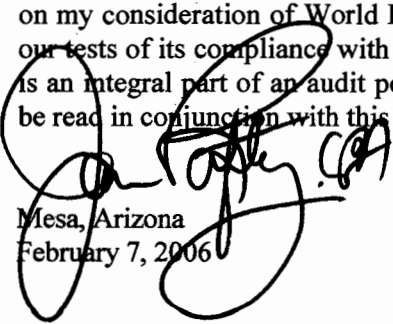
To the Board of Directors
World Emergency Relief
Carlsbad, CA

I have audited the accompanying statements of financial position of World Emergency Relief, (a California nonprofit organization) as of December 31, 2005 and 2004 and the related statements of activities, functional allocation, and cash flows for the years 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, 2005 and 2004, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 7, 2006 on my consideration of World Emergency Relief Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.



Mesa, Arizona
February 7, 2006

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2005	2004
<i>Current Assets</i>		
Cash	\$ 563,726	\$ 513,834
Pledges receivable, net	51,152	54,206
Employee advance	2,666	1,275
Due from affiliated organizations	34,871	45,753
Prepaid expense	53,393	68,839
Bequest receivable	-	20,756
Total Current Assets	705,808	704,663
 <i>Property and Equipment, net</i>	 123,241	 98,215
<i>Other Assets</i>		
Investments	17,525	17,115
Security deposit	5,303	5,303
	22,828	22,418
	\$ 851,877	\$ 825,296

LIABILITIES AND NET ASSETS

<i>Current Liabilities</i>		
Accounts payable	\$ 210,937	\$ 162,411
Accrued expenses	119,096	18,207
Total Current Liabilities	330,033	180,618
 <i>Net Assets</i>		
Unrestricted	306,820	530,447
Temporarily restricted	215,024	114,231
	521,844	644,678
	\$ 851,877	\$ 825,296

See accompanying notes to the financial statements

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)
STATEMENTS OF ACTIVITIES
Years ended December 31,

	2005	2004
<i>Unrestricted Net Assets</i>		
Support		
Gifts-in-kind	\$ 79,225,969	\$ 91,651,398
Grants	151,000	467,670
Contributions	3,248,365	2,669,463
Investment income	7,928	1,607
Bequests	101,719	45,604
Miscellaneous income	3,406	25,782
	82,738,387	94,861,524
Net assets released from restriction	367,584	143,763
Total Unrestricted Revenue, Gains, and Other Support	83,105,971	95,005,287
<i>Expenses and Losses</i>		
Program services	81,428,206	93,405,154
Management services	762,324	612,103
Fundraising	886,125	815,486
Total Expenses	83,076,655	94,832,743
<i>Other Gains and Losses</i>		
(Loss) on asset disposal	-	(8,153)
Unrealized gain (loss) on marketable securities	410	(6,613)
Total Expenses and Losses	83,076,245	94,817,977
Increase in Unrestricted Net Assets	29,726	187,310
<i>Temporarily Restricted Net Assets</i>		
Grants	215,024	114,231
Net assets released from restrictions	(367,584)	(143,764)
(Decrease) in Temporarily Restricted Net Assets	(152,560)	(29,533)
Increase (Decrease) in Net Assets	(122,834)	157,777
<i>Net Assets, beginning of year</i>	644,678	486,901
<i>Net Assets, end of year</i>	\$ 521,844	\$ 644,678

See accompanying notes to the financial statements

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)
STATEMENTS OF FUNCTIONAL ALLOCATION
Year ended December 31, 2005

	Program	Supporting Services		Totals
	Services	Management	Fundraising	
Gifts-in-kind	\$ 79,225,969	\$ -	\$ -	\$ 79,225,969
Grants & allocations	165,004	-	-	165,004
Officer's compensation	99,179	49,590	16,530	165,299
Salaries and wages	242,864	194,291	48,572	485,727
Employee benefits	92,273	73,818	18,455	184,546
Taxes and fees	21,536	17,228	4,307	43,071
Professional fees	59,770	29,439	-	89,209
Computer expense	8,184	12,276	-	20,460
Website expense	3,218	3,218	715	7,151
Office expenses	15,157	15,156	-	30,313
Temporary help	17,822	17,821	-	35,643
Other mailing expenses	1,338	1,337	-	2,675
Telephone	15,757	2,781	-	18,538
Occupancy	48,914	65,219	48,915	163,048
Equipment rental/maintenance	3,213	227	340	3,780
Office printing	2,315	2,314	-	4,629
Travel	34,215	34,215	-	68,430
Conferences and research	48,987	8,645	-	57,632
Depreciation	18,107	3,195	-	21,302
Program travel	67,503	-	-	67,503
Insurance	22,808	22,808	1,901	47,517
Dues and subscriptions	4,993	4,992	-	9,985
Freight/domestic	71,495	-	-	71,495
Direct mail printing	171,761	17,527	161,244	350,532
Direct mail postage	223,204	22,776	209,539	455,519
Direct mail fundraising	145,922	14,890	136,988	297,800
Lettershop	167,090	17,050	156,861	341,001
Advertising	611	611	7,502	8,724
Office postage	-	93,166	-	93,166
Broker fees	79,099	8,071	74,256	161,426
Shipping fees	307,682	-	-	307,682
Interest expense	11,050	11,050	-	22,100
Other non-profits	12,553	-	-	12,553
Other expenses	18,613	18,613	-	37,226
	<u>\$ 81,428,206</u>	<u>\$ 762,324</u>	<u>\$ 886,125</u>	<u>\$ 83,076,655</u>

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, 2004

	Program	Supporting Services		Totals
	Services	Management	Fundraising	
Gifts-in-kind	\$ 91,651,398	\$ -	\$ -	\$ 91,651,398
Grants & allocations	75,840	-	-	75,840
Officer's compensation	89,381	44,690	14,897	148,968
Salaries and wages	202,806	162,245	40,561	405,612
Employee benefits	42,526	34,021	8,505	85,052
Taxes and fees	21,090	16,872	4,218	42,180
Professional fees	47,250	23,272	-	70,522
Computer expense	5,082	7,624	-	12,706
Website expense	1,132	1,132	251	2,515
Office expenses	41,529	41,528	-	83,057
Other mailing expenses	40,344	40,345	-	80,689
Telephone	14,312	2,526	-	16,838
Occupancy	31,421	41,894	31,420	104,735
Equipment rental	12,294	868	1,302	14,464
Office printing	11,507	11,506	-	23,013
Travel	17,987	17,987	-	35,974
Conferences and research	19,665	3,470	-	23,135
Depreciation	16,271	2,871	-	19,142
Program travel	26,574	-	-	26,574
Insurance	8,640	8,640	721	18,001
Dues and subscriptions	4,024	4,025	-	8,049
Freight/domestic	24,643	-	-	24,643
Procurement fees	1,000	-	-	1,000
Direct mail printing	171,067	17,456	160,594	349,117
Direct mail postage	285,906	29,174	268,401	583,481
Lettershop	162,407	16,572	152,463	331,442
Advertising	279	279	3,423	3,981
Office postage	-	37,333	-	37,333
Broker fees	137,125	13,992	128,730	279,847
Shipping fees	184,873	-	-	184,873
Other non-profits	25,000	-	-	25,000
Other expenses	31,781	31,781	-	63,562
	<u>\$ 93,405,154</u>	<u>\$ 612,103</u>	<u>\$ 815,486</u>	<u>\$ 94,832,743</u>

See accompanying notes to the financial statements

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)
STATEMENTS OF CASH FLOW
Years ended December 31,

	2005	2004
<i>Cash Flows from Operating Activities</i>		
Cash received from donors and grants	\$ 3,750,800	\$ 3,307,587
Cash paid to suppliers and employees	(3,664,523)	(3,237,445)
Interest income	7,928	1,607
Miscellaneous income	3,406	25,782
Net Cash Provided By Operating Activities	97,611	97,531
<i>Cash Flows from Investing Activities</i>		
Proceeds from investment	-	54
Increase in employee advance	(1,391)	(1,275)
Purchase of fixed assets	(46,328)	(31,798)
Net Cash (Used) In Investing Activities	(47,719)	(33,019)
<i>Net Increase in Cash and Cash Equivalents</i>	49,892	64,512
<i>Beginning Cash and Cash Equivalents</i>	513,834	449,322
<i>Ending Cash and Cash Equivalents</i>	\$ 563,726	\$ 513,834
<i>Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:</i>		
Increase (Decrease) in net assets	\$ (122,834)	\$ 157,777
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	21,302	19,142
Loss on asset disposal	-	8,153
Unrealized (gain) loss on marketable securities	(410)	6,613
(Increase) decrease in assets		
Pledges receivable	3,054	(60)
Prepaid expenses	15,446	(58,855)
Miscellaneous receivable	10,882	(6,702)
Bequests receivable	20,756	(12,150)
Increase (decrease) in liabilities		
Accrued expenses	100,889	16,016
Accounts payable	48,526	(32,403)
<i>Net Cash Provided By Operating Activities</i>	\$ 97,611	\$ 97,531

See accompanying notes to the financial statements

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Corporate Organization

World Emergency Relief d.b.a. Children's Food Fund/World Emergency Relief (hereafter referred to as "WER") is a non-profit corporation incorporated December 14, 1985 in the state of California. WER, also d.b.a. Native American Emergency Relief, is dedicated to spreading the Gospel throughout the world to meet the physical, emotional, spiritual, and economic needs of needy peoples, fostering economic development and providing both disaster and sustained relief.

To that end, WER is committed to serving a wide variety of people in diverse cultural and economic settings, especially children and their families, who suffer emotional, spiritual, physical, and economic needs that result from conditions beyond their personal control.

Fair Values of Financial Instruments

The estimated fair values of the Organization's financial instruments are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and Short-Term Investments	\$ 563,726	\$ 563,726
Pledges Receivable	\$ 51,152	\$ 51,152

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and Short-Term Investments- The carrying amount approximates fair value because of the short maturities of those investments.

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

The Organization estimates that the fair value of all financial instruments at December 31, 2005, 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 in its statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, WER 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. There were no permanently restricted net assets as of December 31, 2005 and 2004. Temporarily restricted net assets at December 31, 2005 and 2004 was \$215,024 and \$114,231, respectively. Temporarily restricted net assets in 2005 consisted of \$52,349 for Hurricane Katrina, \$14,740 for the Guatemala earthquake, and \$147,935 for the Tsunami disaster. Temporarily restricted net assets in 2004 were solely restricted for the Tsunami Disaster relief.

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

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 WER has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet expended are reported as temporarily restricted deferred revenue.

WER recognizes pledges as revenue under Statement of Financial Accounting Standards No. 116, "Accounting for Contributions Received and Contributions Made." Under SFAS No. 116, 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.

Income Taxes

WER 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.

Gifts in Kind

WER records gift-in-kind donations and distributions of food, clothing, and medical equipment and supplies in accordance with industry standards developed by the Association of Evangelical Relief and Development Organizations and subsequently adopted by InterAction, and referred to as the *Interagency GIK Standards*, 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 WER distributes the goods for charitable purposes. Donated materials for December 31, 2005 and 2004 were \$79,225,969 and \$91,651,398, respectively.

The recognition of the gift-in-kind revenue and expense is limited to instances where WER takes possession or constructive title of a gift-in-kind donation from the original donor, or takes possession as the end-user agency.

In addition to the gift-in-kind recorded on the accompanying financial statements, during 2005 and 2004, WER assisted in the placement of \$46,938,596 and \$137,225,769 of gift-in-kind with other non-profit organizations, respectively. WER did not record the value of this gift-in-kind in its financial statements.

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

Use of Estimates

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

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

WER capitalizes all expenditures for property and equipment that materially prolong the useful life of an asset. Property 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 ten years. Depreciation expense for 2005 and 2004 was \$21,302 and \$19,142, respectively.

Functional Expenses

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

Allocation of Joint Costs

WER incurred joint costs of \$1,308,478 and \$1,543,887 for activities that included program materials and fundraising appeals during 2005 and 2004, respectively. Of these amounts, WER allocated \$641,154 and \$756,505 to program services, \$65,424 and \$77,194 to management services, and \$601,900 and \$710,188 to fundraising services for the years ended December 31, 2005 and 2004, respectively.

Advertising Costs

The Organization expenses advertising costs as they are incurred. Advertising costs for the years ended December 31, 2005 and 2004 were \$8,724 and \$3,981, respectively.

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE B – PLEDGES RECEIVABLE

Pledges receivable expected to be collected in the following year consist of the following as of December 31,

	2005	2004
Christian Service Charities	\$ 50,971	\$ 50,008
Neighbor to Nation	12,969	17,750
Less 20% shrinkage	(12,788)	(13,552)
	\$ 51,152	\$ 54,206

NOTE C – INVESTMENTS

Investments consist of a donated timeshare ownership recorded at the fair market value at the time of donation, 148 shares of Procter & Gamble Company common stock donated to WER in 1997 with a cost basis of \$3,027, 170 shares of Walgreen's stock donated in 2002 with a cost basis of \$4,962, and 200 shares of Exxon stock donated to WER in 2004. The 200 shares of Exxon stock were sold in 2004. The stock is presented at the lower of cost or market value, plus or minus unrealized gain or loss:

	2005	2004
Timeshare ownership	\$ 9,000	\$ 9,000
Basis in marketable securities	3,027	3,027
Unrealized gain/(loss) on marketable securities at beginning of year	5,088	2,063
Unrealized gain/(loss) on marketable securities for the year ended	410	3,025
	\$ 17,525	\$ 17,115

NOTE D – LINE OF CREDIT

WER has a line of credit totaling \$98,000 with interest accruing at a rate of 6.25 percent. The amount of unused credit was \$98,000 as of December 31, 2005 and 2004. The primary purpose of the line of credit is to provide interim financing for overseas freight expenditures in anticipation of grants receivable.

NOTE E – ACCRUED EXPENSES

Accrued expenses as of December 31, 2005 and 2004 consisted of \$119,096 and \$18,207, reimbursable vacation and sick time.

NOTE F – 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 up to \$100,000. At December 31, 2005 and 2004 the Organization's uninsured cash balances total \$233,917 and \$117,342, respectively.

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE G- COMMITMENTS

WER leases its office and warehouse space under a sixty-four month operating lease, and office equipment under a thirty-six month operating lease. Total rental expense for the years ended December 31, 2005 and 2004 was \$84,758 and \$85,443, respectively. Future minimum lease payments are as follows:

<u>Year</u>		
2006	\$	96,840
2007	\$	86,615
2008	\$	89,234
2009	\$	92,373
2010	\$	38,967

WER 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 \$14,750 and \$15,000 for 2005 and 2004, respectively.

NOTE H - EMPLOYEE BENEFIT PLAN

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

NOTE I - 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 Organization also participates in a state and local campaign. The amount of pledges to eventually be collected is an estimate. The Organization estimates shrinkage of approximately 20% from what was pledged to what is eventually collected. Based on the history of the Organization and their campaigns, 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 J - PRIOR PERIOD ADJUSTMENT

The financials statements have been restated in the prior year due to an overstatement of lease payable, property and equipment, and expenses. The corrections have no effect on the results of the current year's activities; however, the cumulative effect decreases net assets by \$3,936 for the year ended December 31, 2004.

SUPPLEMENTARY INFORMATION

WORLD EMERGENCY RELIEF
(d.b.a. Children's Food Fund/World Emergency Relief)
SCHEDULES OF SUPPORT AND OTHER REVENUES
For The Years Ended December 31,

	2005			2004		
	Contributions	Cash Grants	Other Income	Contributions	Cash Grants	Other Income
Gift-in-kind	\$ 79,225,969	\$ -	\$ -	\$ 91,651,398	\$ -	\$ -
Direct mail income	3,472,972	-	-	2,663,839	-	-
Combined federal and state campaigns	142,977	-	-	149,387	-	-
U.S. Government grants	-	-	-	-	391,654	-
Non-profit organization grants	-	151,000	-	-	76,016	-
General contributions and bequests	101,719	-	-	45,604	-	-
Investment income	-	-	7,928	-	-	1,607
Miscellaneous income	-	-	3,406	-	-	25,782
	<u>\$ 82,943,637</u>	<u>\$ 151,000</u>	<u>\$ 11,334</u>	<u>\$ 94,510,228</u>	<u>\$ 467,670</u>	<u>\$ 27,389</u>
			<u>\$ 83,105,971</u>			<u>\$ 95,005,287</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, 2005

	US Disaster Relief	Native American Relief	Domestic Totals	International Relief	Totals
Gifts-in-kind	\$ 1,552,829	\$ 1,616,210	\$ 3,169,039	\$ 76,056,930	\$ 79,225,969
Grants & allocations	5,409	5,629	11,038	153,966	165,004
Officer's Compensation	1,944	2,023	3,967	95,212	99,179
Salaries and wages	4,760	4,955	9,715	233,149	242,864
Employee benefits	1,809	1,882	3,691	88,582	92,273
Taxes and fees	422	439	861	20,675	21,536
Professional fees	1,172	1,219	2,391	57,379	59,770
Computer expense	160	167	327	7,857	8,184
Website expense	63	66	129	3,089	3,218
Office expenses	297	309	606	14,551	15,157
Temporary help	349	364	713	17,109	17,822
Other mailing expenses	26	28	54	1,284	1,338
Telephone	309	321	630	15,127	15,757
Occupancy	959	998	1,957	46,957	48,914
Equipment rental/maintenance	63	66	129	3,084	3,213
Office printing	46	47	93	2,222	2,315
Travel	671	698	1,369	32,846	34,215
Conferences and research	960	999	1,959	47,028	48,987
Depreciation	355	369	724	17,383	18,107
Program travel	1,323	1,377	2,700	64,803	67,503
Insurance	447	465	912	21,896	22,808
Dues and subscriptions	98	102	200	4,793	4,993
Freight/domestic	71,495	-	71,495	-	71,495
Direct mail printing	3,366	3,504	6,870	164,891	171,761
Direct mail postage	4,375	4,553	8,928	214,276	223,204
Direct mail fundraising	2,860	2,977	5,837	140,085	145,922
Lettershop	3,275	3,409	6,684	160,406	167,090
Advertising	12	12	24	587	611
Broker fees	1,550	1,614	3,164	75,935	79,099
Shipping fees	6,030	6,277	12,307	295,375	307,682
Interest expense	217	225	442	10,608	11,050
Other non-profits	12,553	-	12,553	-	12,553
Other expenses	365	380	745	17,868	18,613
	<u>\$ 1,680,569</u>	<u>\$ 1,661,684</u>	<u>\$ 3,342,253</u>	<u>\$ 78,085,953</u>	<u>\$ 81,428,206</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, 2004

	US Disaster Relief	Native American Relief	Domestic Totals	International Relief	Totals
Gifts-in-kind	\$ 218,244	\$ 1,330,818	\$ 1,549,062	\$ 90,102,336	\$ 91,651,398
Grants & allocations	15,950	5,750	21,700	54,140	75,840
Officer's compensation	250	1,538	1,788	87,593	89,381
Salaries and wages	568	3,488	4,056	198,750	202,806
Employee benefits	119	732	851	41,675	42,526
Taxes and fees	59	363	422	20,668	21,090
Professional fees	132	813	945	46,305	47,250
Computer expense	14	88	102	4,980	5,082
Website expense	3	20	23	1,109	1,132
Office expenses	116	715	831	40,698	41,529
Other mailing expenses	113	694	807	39,537	40,344
Telephone	40	246	286	14,026	14,312
Occupancy	88	540	628	30,793	31,421
Equipment rental	34	212	246	12,048	12,294
Office printing	32	198	230	11,277	11,507
Travel	50	310	360	17,627	17,987
Conferences and research	55	338	393	19,272	19,665
Depreciation	46	279	325	15,946	16,271
Program travel	74	457	531	26,043	26,574
Insurance	24	149	173	8,467	8,640
Dues and subscriptions	11	69	80	3,944	4,024
Freight/domestic	-	24,643	24,643	-	24,643
Procurement fees	3	17	20	980	1,000
Direct mail printing	479	2,942	3,421	167,646	171,067
Direct mail postage	801	4,917	5,718	280,188	285,906
Lettershop	455	2,793	3,248	159,159	162,407
Advertising	1	5	6	273	279
Broker fees	384	2,359	2,743	134,382	137,125
Shipping fees	9,229	26,520	35,749	149,124	184,873
Other non-profits	25,000	-	25,000	-	25,000
Other expenses	89	547	636	31,145	31,781
	<u>\$ 272,463</u>	<u>\$ 1,412,560</u>	<u>\$ 1,685,023</u>	<u>\$ 91,720,131</u>	<u>\$ 93,405,154</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, 2005

	Eastern Europe	Africa	Asia/Pacific	South/Latin America	Totals
Gifts-in-kind	\$ 1,521,139	\$ 3,802,847	\$ 35,746,757	\$ 34,986,187	\$ 76,056,930
Grants & allocations	3,079	7,698	72,364	70,825	153,966
Officers compensation	1,904	4,761	44,750	43,798	95,212
Salaries and wages	4,663	11,657	109,580	107,248	233,149
Employee benefits	1,772	4,429	41,634	40,747	88,582
Taxes and fees	414	1,034	9,717	9,511	20,675
Professional fees	1,148	2,869	26,968	26,394	57,379
Computer expense	157	393	3,693	3,614	7,857
Website expense	62	154	1,452	1,421	3,089
Office expenses	291	728	6,839	6,693	14,551
Temporary help	342	855	8,041	7,871	17,109
Other mailing expenses	26	64	603	591	1,284
Telephone	303	756	7,110	6,958	15,127
Occupancy	939	2,348	22,070	21,600	46,957
Equipment rental	62	154	1,449	1,419	3,084
Office printing	44	111	1,044	1,022	2,222
Travel	657	1,642	15,438	15,109	32,846
Conferences and research	941	2,351	22,103	21,633	47,028
Depreciation	348	869	8,170	7,996	17,383
Program travel	1,296	3,240	30,457	29,810	64,803
Insurance	438	1,095	10,291	10,072	21,896
Dues and subscriptions	96	240	2,253	2,204	4,793
Direct mail printing	3,298	8,245	77,499	75,849	164,891
Direct mail postage	4,286	10,714	100,710	98,566	214,276
Direct mail fundraising	2,802	7,004	65,840	64,439	140,085
Lettershop	3,208	8,020	75,391	73,787	160,406
Advertising	12	29	276	270	587
Broker fees	1,519	3,797	35,689	34,930	75,935
Shipping fees	5,908	14,769	138,826	135,872	295,375
Interest expense	212	530	4,986	4,880	10,608
Other expenses	357	893	8,398	8,220	17,868
	<u>\$ 1,561,723</u>	<u>\$ 3,904,296</u>	<u>\$ 36,700,398</u>	<u>\$ 35,919,536</u>	<u>\$ 78,085,953</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, 2004

	Eastern Europe	Africa	Asia/Pacific	South/Latin America	Totals
Gifts-in-kind	\$ 785,145	\$ 13,448,217	\$ 49,085,814	\$ 26,783,160	\$ 90,102,336
Grants & allocations	10,000	13,000	30,080	1,060	54,140
Officer's compensation	876	35,913	25,402	25,402	87,593
Salaries and wages	1,988	81,488	57,637	57,637	198,750
Employee benefits	416	17,087	12,086	12,086	41,675
Taxes and fees	207	8,473	5,994	5,994	20,668
Professional fees	464	18,985	13,428	13,428	46,305
Computer expense	50	2,042	1,444	1,444	4,980
Website expense	11	454	322	322	1,109
Office expenses	407	16,686	11,802	11,803	40,698
Other mailing expenses	395	16,210	11,466	11,466	39,537
Telephone	140	5,750	4,068	4,068	14,026
Occupancy	308	12,625	8,930	8,930	30,793
Equipment rental	120	4,940	3,494	3,494	12,048
Office printing	113	4,624	3,270	3,270	11,277
Travel	176	7,227	5,112	5,112	17,627
Conferences and research	194	7,901	5,588	5,589	19,272
Depreciation	159	6,539	4,624	4,624	15,946
Program travel	261	10,678	7,552	7,552	26,043
Insurance	85	3,471	2,455	2,456	8,467
Dues and subscriptions	39	1,617	1,144	1,144	3,944
Procurement fees	10	402	284	284	980
Direct mail printing	1,677	68,735	48,617	48,617	167,646
Direct mail postage	2,801	114,877	81,255	81,255	280,188
Lettershop	1,592	65,255	46,156	46,156	159,159
Advertising	3	112	79	79	273
Broker fees	1,344	55,096	38,971	38,971	134,382
Shipping fees	1,500	72,320	3,515	71,789	149,124
Other expenses	311	12,770	9,032	9,032	31,145
	<u>\$ 810,792</u>	<u>\$ 14,113,494</u>	<u>\$ 49,529,621</u>	<u>\$ 27,266,224</u>	<u>\$ 91,720,131</u>

See accompanying notes to the financial statements

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
World Emergency Relief

I have audited the financial statements of World Emergency Relief (a nonprofit organization) as of and for the years ended December 31, 2005 and 2004 and have issued my report thereon dated February 7, 2006. I conducted the audit in accordance with generally accepted auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard*, issued by the Comptroller General of the United States.

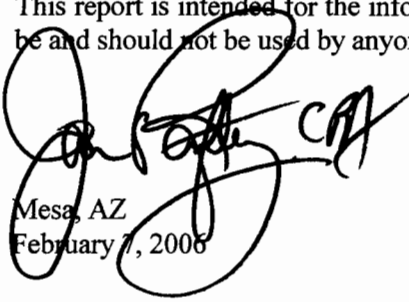
Compliance

As part of obtaining reasonable assurance about whether World Emergency Relief's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered World Emergency Relief's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting, which I have reported to World Emergency Relief's management in a separate letter dated February 7, 2006.

This report is intended for the information of the board of directors and management, and is not intended to be and should not be used by anyone other than these specified parties.



Mesa, AZ
February 7, 2006