

OXFAM AMERICA, INC.

Combined Financial Statements

October 31, 2005 and 2004

OXFAM AMERICA, INC.
Combined Financial Statements

Table of Contents

Financial Statements:

| | |
|--|------|
| Independent Auditors' Report | 1 |
| Combined Statements of Financial Position | 2-3 |
| Combined Statements of Activities | 4-5 |
| Combined Statements of Functional Expenses | 6-7 |
| Combined Statements of Cash Flows | 8 |
| Notes to Combined Financial Statements | 9-18 |



Independent Auditors' Report

Board of Directors
Oxfam America, Inc.
Boston, Massachusetts

We have audited the accompanying combined statement of financial position of Oxfam America, Inc. ("Oxfam") as of October 31, 2005 and the related statements of activities, functional expenses and cash flows for the year then ended. These combined financial statements are the responsibility of Oxfam America's management. Our responsibility is to express an opinion on these combined financial statements based on our audit. The financial statements of Oxfam America, Inc. as of and for the year ended October 31, 2004, were audited by other auditors whose report dated December 22, 2004 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 combined financial statements referred to above present fairly, in all material respects, the financial position of Oxfam, Inc. as of October 31, 2005 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Tofias PC". The signature is written in a cursive, flowing style.

December 28, 2005
Cambridge, Massachusetts

Independent Member of BKR International

OXFAM AMERICA, INC.

Combined Statements of Financial Position

October 31

| | <i>2005</i> | | | <i>2004</i> | |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|----------------------|
| | <i>Unrestricted</i> | <i>Temporarily Restricted</i> | <i>Permanently Restricted</i> | <i>Total</i> | <i>Total</i> |
| Assets | | | | | |
| Cash | \$ 3,462,000 | \$ - | \$ - | \$ 3,462,000 | \$ 2,891,000 |
| Investments | 19,538,000 | 27,206,000 | 1,568,000 | 48,312,000 | 29,038,000 |
| Pledges receivable | 230,000 | 1,816,000 | - | 2,046,000 | 1,054,000 |
| Other assets | 722,000 | 955,000 | - | 1,677,000 | 1,534,000 |
| Net fixed assets | 3,817,000 | - | - | 3,817,000 | 3,785,000 |
| Total assets | \$ 27,769,000 | \$ 29,977,000 | \$ 1,568,000 | \$ 59,314,000 | \$ 38,302,000 |
| Liabilities | | | | | |
| Accounts payable and accrued payroll expenses | \$ 2,349,000 | \$ - | \$ - | \$ 2,349,000 | \$ 1,091,000 |
| Grants payable | 2,374,000 | - | - | 2,374,000 | 2,056,000 |
| Other liabilities | 1,873,000 | - | - | 1,873,000 | 1,706,000 |
| Total liabilities | 6,596,000 | - | - | 6,596,000 | 4,853,000 |
| Net assets: | | | | | |
| Unrestricted | 21,173,000 | - | - | 21,173,000 | 21,052,000 |
| Temporarily restricted | - | 29,977,000 | - | 29,977,000 | 10,829,000 |
| Permanently restricted | - | - | 1,568,000 | 1,568,000 | 1,568,000 |
| Total net assets | 21,173,000 | 29,977,000 | 1,568,000 | 52,718,000 | 33,449,000 |
| Total liabilities and net assets | \$ 27,769,000 | \$ 29,977,000 | \$ 1,568,000 | \$ 59,314,000 | \$ 38,302,000 |

See the accompanying notes to the financial statements.

OXFAM AMERICA, INC.

Combined Statements of Financial Position

October 31, 2004

| | <i>Unrestricted</i> | <i>Temporarily Restricted</i> | <i>Permanently Restricted</i> | <i>Total</i> |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Assets | | | | |
| Cash | \$ 2,891,000 | \$ - | \$ - | \$ 2,891,000 |
| Investments | 18,572,000 | 8,898,000 | 1,568,000 | 29,038,000 |
| Pledges receivable | 26,000 | 1,028,000 | - | 1,054,000 |
| Other assets | 631,000 | 903,000 | - | 1,534,000 |
| Net fixed assets | 3,785,000 | - | - | 3,785,000 |
| Total assets | \$ 25,905,000 | \$ 10,829,000 | \$ 1,568,000 | \$ 38,302,000 |
| Liabilities | | | | |
| Accounts payable and accrued payroll expenses | \$ 1,091,000 | \$ - | \$ - | \$ 1,091,000 |
| Grants payable | 2,056,000 | - | - | 2,056,000 |
| Other liabilities | 1,706,000 | - | - | 1,706,000 |
| Total liabilities | 4,853,000 | - | - | 4,853,000 |
| Net assets: | | | | |
| Unrestricted | 21,052,000 | - | - | 21,052,000 |
| Temporarily restricted | - | 10,829,000 | - | 10,829,000 |
| Permanently restricted | - | - | 1,568,000 | 1,568,000 |
| Total net assets | 21,052,000 | 10,829,000 | 1,568,000 | 33,449,000 |
| Total liabilities and net assets | \$ 25,905,000 | \$ 10,829,000 | \$ 1,568,000 | \$ 38,302,000 |

See the accompanying notes to the financial statements.

OXFAM AMERICA, INC.

Combined Statement of Activities

Years Ended October 31

| | <u>2005</u> | | | <u>2004</u> | |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|----------------------|
| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> | <u>Total</u> |
| Revenue, gains and other support: | | | | | |
| Contributions, including \$30,000,000 in temporarily restricted South Asia Earthquake (Tsunami) contributions | \$ 26,849,000 | \$ 50,762,000 | \$ - | \$ 77,611,000 | \$ 29,146,000 |
| Investment income | 744,000 | 658,000 | - | 1,402,000 | 629,000 |
| Other | 285,000 | - | - | 285,000 | 605,000 |
| Net assets released from restrictions | 32,272,000 | (32,272,000) | - | - | - |
| Total revenue, gains and other support | 60,150,000 | 19,148,000 | - | 79,298,000 | 30,380,000 |
| Expenses: | | | | | |
| Program services: | | | | | |
| Regional programs | 16,808,000 | - | - | 16,808,000 | 13,144,000 |
| Humanitarian relief and rehabilitation, including South Asia Earthquake (Tsunami) expenditures of \$21,332,000 | 24,737,000 | - | - | 24,737,000 | 2,796,000 |
| Public education | 5,728,000 | - | - | 5,728,000 | 3,343,000 |
| Policy and advocacy | 2,882,000 | - | - | 2,882,000 | 1,783,000 |
| Total program services | 50,155,000 | - | - | 50,155,000 | 21,066,000 |
| Support services: | | | | | |
| Management and general | 2,576,000 | - | - | 2,576,000 | 2,242,000 |
| Fundraising | 7,298,000 | - | - | 7,298,000 | 5,157,000 |
| Total supporting services | 9,874,000 | - | - | 9,874,000 | 7,399,000 |
| Total expenses | 60,029,000 | - | - | 60,029,000 | 28,465,000 |
| Change in net assets | 121,000 | 19,148,000 | - | 19,269,000 | 1,915,000 |
| Net assets, beginning of year | 21,052,000 | 10,829,000 | 1,568,000 | 33,449,000 | 31,534,000 |
| Net assets, end of year | \$ 21,173,000 | \$ 29,977,000 | \$ 1,568,000 | \$ 52,718,000 | \$ 33,449,000 |

See the accompanying notes to the financial statements.

OXFAM AMERICA, INC.

Combined Statement of Activities

Year Ended October 31, 2004

| | <i>Unrestricted</i> | <i>Temporarily Restricted</i> | <i>Permanently Restricted</i> | <i>Total</i> |
|---|----------------------|-----------------------------------|-----------------------------------|----------------------|
| Revenue, gains and other support: | | | | |
| Contributions | \$ 22,708,000 | \$ 6,438,000 | - | \$ 29,146,000 |
| Investment income | 363,000 | 266,000 | - | 629,000 |
| Other | 519,000 | 86,000 | - | 605,000 |
| Net assets released from restrictions | 6,633,000 | (6,633,000) | - | - |
| Total revenue, gains and other support | 30,223,000 | 157,000 | - | 30,380,000 |
| Expenses: | | | | |
| Program services: | | | | |
| Regional programs | 13,144,000 | - | - | 13,144,000 |
| Humanitarian relief and rehabilitation | 2,796,000 | - | - | 2,796,000 |
| Public education | 3,343,000 | - | - | 3,343,000 |
| Policy and advocacy | 1,783,000 | - | - | 1,783,000 |
| Total program services | 21,066,000 | - | - | 21,066,000 |
| Support services: | | | | |
| Management and general | 2,242,000 | - | - | 2,242,000 |
| Fundraising | 5,157,000 | - | - | 5,157,000 |
| Total supporting services | 7,399,000 | - | - | 7,399,000 |
| Total expenses | 28,465,000 | - | - | 28,465,000 |
| Change in net assets | 1,758,000 | 157,000 | - | 1,915,000 |
| Net assets, beginning of year | 19,294,000 | 10,672,000 | 1,568,000 | 31,534,000 |
| Net assets, end of year | \$ 21,052,000 | \$ 10,829,000 | \$ 1,568,000 | \$ 33,449,000 |

See the accompanying notes to the financial statements.

OXFAM AMERICA, INC.

Combined Statements of Functional Expenses

Years Ended October 31

| | 2005 | | | | | | | | 2004 | |
|---|--------------------------|---|-------------------------|----------------------------|-------------------------------|-------------------------------|---------------------|----------------------------------|----------------------|----------------------|
| | <i>Program Services</i> | | | | <i>Supporting Services</i> | | | | <i>Total</i> | <i>Total</i> |
| | <i>Regional Programs</i> | <i>Humanitarian Relief and Rehabilitation</i> | <i>Public Education</i> | <i>Policy and Advocacy</i> | <i>Total Program Services</i> | <i>Management and General</i> | <i>Fundraising</i> | <i>Total Supporting Services</i> | | |
| Payroll and related expenses | \$ 3,531,000 | \$ 839,000 | \$ 2,433,000 | \$ 1,311,000 | \$ 8,114,000 | \$ 1,259,000 | \$ 1,902,000 | \$ 3,161,000 | \$ 11,275,000 | \$ 8,662,000 |
| Professional fees and services | 687,000 | 115,000 | 1,184,000 | 573,000 | 2,559,000 | 863,000 | 1,057,000 | 1,920,000 | 4,479,000 | 2,055,000 |
| Occupancy costs | 633,000 | 74,000 | 152,000 | 262,000 | 1,121,000 | 142,000 | 137,000 | 279,000 | 1,400,000 | 1,085,000 |
| Travel | 717,000 | 229,000 | 243,000 | 138,000 | 1,327,000 | 54,000 | 77,000 | 131,000 | 1,458,000 | 953,000 |
| Supplies, postage and printing | 61,000 | 25,000 | 519,000 | 29,000 | 634,000 | 13,000 | 3,027,000 | 3,040,000 | 3,674,000 | 2,806,000 |
| Other expenses | 574,000 | 210,000 | 844,000 | 458,000 | 2,086,000 | 147,000 | 1,022,000 | 1,169,000 | 3,255,000 | 1,766,000 |
| Developmental support to partners | 10,313,000 | 1,101,000 | 272,000 | 74,000 | 11,760,000 | - | - | - | 11,760,000 | 9,313,000 |
| Humanitarian support | 1,000 | 22,123,000 | 3,000 | - | 22,127,000 | - | - | - | 22,127,000 | 1,268,000 |
| Total expenses before depreciation | 16,517,000 | 24,716,000 | 5,650,000 | 2,845,000 | 49,728,000 | 2,478,000 | 7,222,000 | 9,700,000 | 59,428,000 | 27,908,000 |
| Depreciation | 291,000 | 21,000 | 78,000 | 37,000 | 427,000 | 98,000 | 76,000 | 174,000 | 601,000 | 557,000 |
| Total expenses | \$ 16,808,000 | \$ 24,737,000 | \$ 5,728,000 | \$ 2,882,000 | \$ 50,155,000 | \$ 2,576,000 | \$ 7,298,000 | \$ 9,874,000 | \$ 60,029,000 | \$ 28,465,000 |

OXFAM AMERICA, INC.

Combined Statement of Functional Expenses

Year ended October 31, 2004

| | <u>Program Services</u> | | | | <u>Supporting Services</u> | | | | <u>Total 2004</u> |
|---|------------------------------|---|-----------------------------|--------------------------------|-----------------------------------|-----------------------------------|---------------------|--------------------------------------|-----------------------|
| | <u>Regional Programs</u> | <u>Humanitarian Relief and Rehabilitation</u> | <u>Public Education</u> | <u>Policy and Advocacy</u> | <u>Total Program Services</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total Supporting Services</u> | |
| Payroll and related expenses | \$ 2,843,000 | \$ 431,000 | \$ 1,759,000 | \$ 996,000 | \$ 6,029,000 | \$ 1,032,000 | \$ 1,601,000 | \$ 2,633,000 | \$ 8,662,000 |
| Professional fees and services | 379,000 | 68,000 | 454,000 | 104,000 | 1,005,000 | 642,000 | 408,000 | 1,050,000 | 2,055,000 |
| Occupancy costs | 454,000 | 64,000 | 124,000 | 219,000 | 861,000 | 105,000 | 119,000 | 224,000 | 1,085,000 |
| Travel | 437,000 | 96,000 | 171,000 | 159,000 | 863,000 | 47,000 | 43,000 | 90,000 | 953,000 |
| Supplies, postage and printing | 53,000 | 8,000 | 324,000 | 15,000 | 400,000 | 8,000 | 2,398,000 | 2,406,000 | 2,806,000 |
| Other expenses | 273,000 | 94,000 | 409,000 | 191,000 | 967,000 | 286,000 | 513,000 | 799,000 | 1,766,000 |
| Developmental support to partners | 8,493,000 | 748,000 | 33,000 | 39,000 | 9,313,000 | - | - | - | 9,313,000 |
| Humanitarian support | - | 1,268,000 | - | - | 1,268,000 | - | - | - | 1,268,000 |
| Total expenses before depreciation | 12,932,000 | 2,777,000 | 3,274,000 | 1,723,000 | 20,706,000 | 2,120,000 | 5,082,000 | 7,202,000 | 27,908,000 |
| Depreciation | 212,000 | 19,000 | 69,000 | 60,000 | 360,000 | 122,000 | 75,000 | 197,000 | 557,000 |
| Total expenses | \$ 13,144,000 | \$ 2,796,000 | \$ 3,343,000 | \$ 1,783,000 | \$ 21,066,000 | \$ 2,242,000 | \$ 5,157,000 | \$ 7,399,000 | \$ 28,465,000 |

OXFAM AMERICA, INC.

Combined Statements of Cash Flows

Years Ended October 31

| | 2005 | 2004 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 19,269,000 | \$ 1,915,000 |
| Reconciliation to cash flow: | | |
| Net realized and unrealized gains on investments | (61,000) | (147,000) |
| Depreciation | 601,000 | 557,000 |
| Change in: | | |
| Pledges receivable | (992,000) | 1,386,000 |
| Other assets | (143,000) | (144,000) |
| Accounts payable and accrued payroll expenses | 1,258,000 | 87,000 |
| Grants payable | 318,000 | (1,123,000) |
| Other liabilities | 167,000 | 249,000 |
| | <u>20,417,000</u> | <u>2,780,000</u> |
| Net cash provided by operating activities | 20,417,000 | 2,780,000 |
| Cash flows from investing activities: | | |
| Purchases of fixed assets | (633,000) | (852,000) |
| Proceeds from sales and maturities of investments | 20,048,000 | 12,758,000 |
| Purchases of investments | (39,261,000) | (25,228,000) |
| | <u>(19,846,000)</u> | <u>(13,322,000)</u> |
| Net cash used in investing activities | (19,846,000) | (13,322,000) |
| Net change in cash | 571,000 | (10,542,000) |
| Cash, beginning of year | 2,891,000 | 13,433,000 |
| | <u>2,891,000</u> | <u>13,433,000</u> |
| Cash, end of year | \$ 3,462,000 | \$ 2,891,000 |

OXFAM AMERICA, INC.

Notes to Combined Financial Statements

October 31, 2005

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Oxfam America, Inc. (“Oxfam”) is a publicly supported Massachusetts not-for-profit corporation which fights global poverty, hunger and social injustice. Oxfam works in long-term partnership with grassroots organizations and other Oxfam International member organizations to promote sustainable development in Africa, Asia, the Caribbean and the Americas. Oxfam American and Oxfam International member organizations also provide humanitarian assistance in emergency situations.

Oxfam is a member of Oxfam International which is a non-profit organization registered in the Netherlands, comprised of twelve independent organizations around the world. Oxfam’s chair and president are members of the Oxfam International board of trustees. Each Oxfam International member organization has one vote on the Oxfam International board of trustees. In 2005, Oxfam made payments of \$2,081,000 to Oxfam International and its member organizations and received \$1,617,000 from Oxfam International and its member organizations

In 2005, Oxfam International formed the Oxfam International Tsunami Trust Fund “the Trust Fund”, as a public charity incorporated in the United Kingdom, to manage and coordinate Oxfam International member organizations’ humanitarian relief and rehabilitation response to the December 2004 South Asia Tsunami. Through the Trust Fund, member organizations have pooled resources for Tsunami response. The Trust Fund distributes funds among member organizations for implementation of comprehensive programming in the affected countries. Each Oxfam member organization’s president or executive director is a member of the Trust Fund board of trustees. In 2005, Oxfam transferred \$20,000,000 to the Trust Fund. The Trust Fund issues a separate annual report detailing the organization’s relief and rehabilitation response and is subject to annual audit under accounting rules governing charities in the United Kingdom.

Also in 2005, Oxfam established the Oxfam America Advocacy Fund, a non-profit organization incorporated in Massachusetts, created to foster an environment supportive of long-term development and to serve as advocate and lobbyist for change in global public policy on poverty and social justice. The Oxfam America Advocacy Fund promotes policy change at the national and international level and produces educational materials for the U.S. public on these same issues. Oxfam is the sole member of Oxfam America Advocacy Fund.

A summary of the accounting policies consistently applied in the combined financial statements follows:

Principles of Consolidation

The combined financial statements include the accounts of Oxfam and Oxfam America Advocacy Fund (collectively, “Oxfam”). All inter-company balances and transactions have been eliminated in consolidation.

OXFAM AMERICA, INC.

Notes to Combined Financial Statements

October 31, 2005

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Continued)

Financial Statement Preparation

The combined financial statements have been prepared on the accrual basis of accounting.

The combined financial statements of Oxfam are categorized into classes of net assets based on the existence of donor-imposed restrictions as follows:

Unrestricted Net Assets – are contributions that are not restricted by donors or for which restrictions have expired.

Temporarily Restricted Net Assets – carry specific, donor-imposed restrictions on the expenditure or other use of the funds. Temporary restrictions may expire either because of passage of time or because certain actions are taken by Oxfam which fulfilled the restriction. Temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions in the period in which the donor imposed condition is met or the stipulated time restrictions have passed.

The Board of Directors has been advised that state law requiring realized gains of permanently restricted net assets to be retained in a temporarily restricted net asset classification until appropriated by the Board or expended. State law allows the Board to appropriate the amount of net appreciation as is prudent considering Oxfam's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends, and general economic conditions.

Permanently Restricted Net Assets – are those that are subject to donor-imposed restrictions which will never lapse, thus requiring the funds be retained permanently, but permit Oxfam to use or expend part or all of the economic benefits derived from the donated assets.

Contributions

Contributions are recorded as support at the time the donor makes an unconditional promise to give. The existence or absence of restrictions on the gift will determine if it should be classified as unrestricted, temporarily restricted or permanently restricted. Contributions not expected to be collected within one year are recorded at the estimated present value of future cash flows, utilizing a risk-free rate of return. Management expects most contributions and grants to be collected within the next year.

Cash

Oxfam considers all highly liquid debt instruments, including certificates of deposit and money market funds, purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents held by investment managers are considered part of investments.

Investments

Investments are carried at fair value. Oxfam, in keeping with its purpose, requires investments to meet board imposed socially responsible requirements.

OXFAM AMERICA, INC.

Notes to Combined Financial Statements

October 31, 2005

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Continued)

Fixed Assets

Acquisitions of buildings, furniture and computer equipment are capitalized at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives principally by the straight-line method.

Grants Payable

Grants payable include firm commitments to grant funds evidenced by approval of management or board vote in accordance with Board policy. Grants payable are expected to be paid in one year or less.

Split-Interest Agreements

Oxfam receives future interests in the form of charitable gift annuities. Charitable gift annuities require Oxfam to pay a fixed amount periodically to the donor in return for the contribution. The contribution is recorded at fair value when the gift is received. Assets related to charitable gift annuities are reported in investments in the amounts of \$3,440,000 and \$2,802,000 at October 31, 2005 and 2004, respectively. A liability equal to the present value of future payments to beneficiaries is recorded at the date of gift using a discount rate of 6% at October 31, 2005 and 2004. The liability for gift annuities was \$2,039,000 and \$1,441,000 at October 31, 2005 and 2004, respectively, and is reported in other liabilities. The net contribution revenue and changes in the value of split-interest agreements was \$638,000 and \$607,000 for the years ending October 31, 2005 and 2004, respectively.

Oxfam is a remainder beneficiary in a pooled income fund. The donor receives a life interest in any income earned on the assets. The assets received were recorded as temporarily restricted revenue on the date of the gift based on fair value of the assets to be received, discounted at 6% for the estimated time period until the donor's death. The net amount of the asset recorded for the pooled income fund is reported in other assets in the amounts of approximately \$220,000 and \$210,000 at October 31, 2005 and 2004, respectively.

Oxfam is the named beneficiary in several charitable remainder trusts. Specified distributions must be made to the beneficiary designated by the donor over the term of the trust. Upon termination of the trust, Oxfam will receive the assets remaining in the trust. Contribution revenue was recognized in the period the trust was established equal to the fair value when received, net of liability to the beneficiaries which was recorded at the present value of the estimated future payments based on a discount rate of 6%. The net amount of these charitable remainder trusts is reported in other assets in the amounts of approximately \$735,000 and \$693,000 at October 31, 2005 and 2004, respectively.

Allocation of Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among programs and supporting services.

OXFAM AMERICA, INC.

Notes to Combined Financial Statements

October 31, 2005

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (Continued)

Estimates Used in the Preparation of Combined Financial Statements

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of combined financial statements and revenues and expenses during the reporting period. Pledge reserves and the quantification of consumption of restricted resources are the significant estimates that are included in the combined financial statements. Actual results could differ from those estimates.

Tax Status

Oxfam has obtained a determination letter dated August 18, 1988, from the Internal Revenue Service stating that, as of such date, Oxfam qualifies for treatment under code Section 501(c)(3) of the Internal Revenue Code. As of November 30, 2005, the Internal Revenue Service confirms the determination as of August 18, 1988 is still in full force and effect. As such, Oxfam has not provided for income taxes in the accompanying combined financial statements.

Oxfam America Advocacy Fund has applied for tax exempt status under Section 501(c)(4) of the Internal Revenue Code. A determination letter finalizing the affiliate's tax exempt status has not been received as of December 28, 2005; however, management believes that the activities of the Advocacy Fund are in accordance with requirements of the code.

Concentration of Credit Risk

Amounts that potentially subject Oxfam to concentration of credit risk consist primarily of pledges receivable. These receivables are due from a relatively small number of donors. Oxfam judges credit risk with these receivables to be minimal based on history and the financial wherewithal of donors, most of which are foundations.

Oxfam maintains a concentration of cash with banks and other institutions in excess of insured amounts and in uninsured money market and investment accounts.

Total Return Spending Policy

Oxfam may make distributions to unrestricted assets from the accumulated gains on permanently restricted assets in accordance with Board policy. Under the policy, up to 5% of the three year rolling average of the market value of the endowment plus undistributed gains may be distributed.

Reclassifications

Certain reclassifications have been made to the 2004 financial statements in order to conform with the current year's presentation. These reclassifications had no effect on previously reported change in net assets or ending balances of net assets.

OXFAM AMERICA, INC.

Notes to Combined Financial Statements

October 31, 2005

Note 2 – Investments and Gift Annuity Investments

Investments and gift annuity investments consist of the following at October 31:

| | <i>2005</i> | <i>2004</i> |
|---|-----------------------------|-----------------------------|
| U.S. Government and agency bonds | \$ 7,583,000 | \$ 8,839,000 |
| Corporate bonds | <u>1,859,000</u> | <u>2,319,000</u> |
| | 9,442,000 | 11,158,000 |
| Money market | 34,092,000 | 13,342,000 |
| Stocks, rights, warrants | 4,490,000 | 1,873,000 |
| Mutual funds | - | 2,553,000 |
| Other | <u>288,000</u> | <u>112,000</u> |
| Total investments and gift annuity investments | \$ <u>48,312,000</u> | \$ <u>29,038,000</u> |

The following table lists the maturities of fixed income securities held at October 31:

| | <i>2005</i> | <i>2004</i> |
|---------------------------------------|----------------------------|-----------------------------|
| Due in one year or less | \$ 3,293,000 | \$ 6,171,000 |
| Due after one year through five years | 5,512,000 | 4,445,000 |
| Due after five years | <u>637,000</u> | <u>542,000</u> |
| | \$ <u>9,442,000</u> | \$ <u>11,158,000</u> |

Investment income consisted of the following for the years ended October 31:

| | <i>2005</i> | <i>2004</i> |
|---|----------------------------|--------------------------|
| Investment income | \$ 1,341,000 | \$ 482,000 |
| Net realized and unrealized gain on investments | <u>61,000</u> | <u>147,000</u> |
| | \$ <u>1,402,000</u> | \$ <u>629,000</u> |

OXFAM AMERICA, INC.

Notes to Combined Financial Statements

October 31, 2005

Note 3 – Pledges Receivable

Pledges receivable are recorded at the net present value of their estimated cash flows using a risk free interest rate similar to rates charged for the expected cash flows for risk free investments. Pledges are expected to be realized as follows at October 31:

| | 2005 | 2004 |
|-------------------------------------|-----------------------------------|-----------------------------------|
| One year or less | \$ 1,878,000 | \$ 904,000 |
| Between one and five years | <u>215,000</u> | <u>160,000</u> |
| | 2,093,000 | 1,064,000 |
| Less: Present value discount | (43,000) | (10,000) |
| Allowance for uncollectible pledges | <u>(4,000)</u> | <u>-</u> |
| Pledges receivable | <u><u>\$ 2,046,000</u></u> | <u><u>\$ 1,054,000</u></u> |

Note 4 – Fixed Assets

Fixed assets consist of the following at October 31:

| | 2005 | 2004 |
|------------------------------------|-----------------------------------|-----------------------------------|
| Land | \$ 777,000 | \$ 777,000 |
| Building and building improvements | 3,857,000 | 3,745,000 |
| Furniture and equipment | 1,509,000 | 1,117,000 |
| Computer equipment | 1,647,000 | 1,519,000 |
| Other | <u>110,000</u> | <u>110,000</u> |
| | 7,900,000 | 7,268,000 |
| Less accumulated depreciation | <u>(4,083,000)</u> | <u>(3,483,000)</u> |
| Total fixed assets - net | <u><u>\$ 3,817,000</u></u> | <u><u>\$ 3,785,000</u></u> |

Note 5 – Pension Plan

Oxfam maintains a non-contributory defined contribution pension plan that provides retirement benefits for substantially all U.S. employees who have satisfied the applicable waiting periods. Contributions to the plan are based on a percentage of salary. Contributions to the plan were \$280,000 and \$228,000 for the years ended October 31, 2005 and 2004, respectively, and are reflected as part of payroll and related expenses in the accompanying Statements of Functional Expenses.

Oxfam also maintains a 403(b) tax deferred annuity retirement plan, which is funded solely by employee contributions.

OXFAM AMERICA, INC.

Notes to Combined Financial Statements

October 31, 2005

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets include the following at October 31:

| | 2004 | Additions | Releases | 2005 |
|---|----------------------|----------------------|----------------------|----------------------|
| | Balance | | | Balance |
| <i>Resources with Purpose Restrictions:</i> | | | | |
| Amazon Programs | \$ 914,000 | \$ 42,000 | \$ - | \$ 956,000 |
| U.S. Program Investment Fund | 1,070,000 | 72,000 | 63,000 | 1,079,000 |
| Humanitarian Relief and Rehabilitation | 3,220,000 | 12,654,000 | 2,851,000 | 13,023,000 |
| Fair Trade Program | 109,000 | 3,132,000 | 1,850,000 | 1,391,000 |
| Internationalism as a Civic Value | 633,000 | 11,000 | 468,000 | 176,000 |
| Advocacy Related Projects | 612,000 | 1,330,000 | 1,647,000 | 295,000 |
| Campaign for Oxfam | - | 1,218,000 | - | 1,218,000 |
| South Asia Tsunami Relief | - | 30,297,000 | 22,311,000 | 7,986,000 |
| Other Donor Designated Funds | 1,584,000 | 2,434,000 | 2,931,000 | 1,087,000 |
| | 8,142,000 | 51,190,000 | 32,121,000 | 27,211,000 |
| <i>Resources with Time Restrictions:</i> | | | | |
| Split-Interest Agreements | 903,000 | 52,000 | - | 955,000 |
| Unexpended net appreciation-endowment | 1,784,000 | 178,000 | 151,000 | 1,811,000 |
| | \$ 10,829,000 | \$ 51,420,000 | \$ 32,272,000 | \$ 29,977,000 |
| | | | | |
| | 2003 | Additions | Releases | 2004 |
| | Balance | | | Balance |
| <i>Resources with Purpose Restrictions:</i> | | | | |
| Amazon Programs | \$ 866,000 | \$ 48,000 | \$ - | \$ 914,000 |
| U.S. Program Investment Fund | 1,064,000 | 68,000 | 62,000 | 1,070,000 |
| Humanitarian Relief & Rehabilitation | 2,072,000 | 3,075,000 | 1,927,000 | 3,220,000 |
| Fair Trade Program | 350,000 | 259,000 | 500,000 | 109,000 |
| Internationalism as a Civic Value | 970,000 | 32,000 | 369,000 | 633,000 |
| Advocacy Related Projects | 629,000 | 666,000 | 683,000 | 612,000 |
| Campaign for Oxfam | - | - | - | - |
| South Asia Tsunami Relief | - | - | - | - |
| Other Donor Designated Funds | 2,082,000 | 2,444,000 | 2,942,000 | 1,584,000 |
| | 8,033,000 | 6,592,000 | 6,483,000 | 8,142,000 |
| <i>Resources with Time Restrictions:</i> | | | | |
| Split-Interest Agreements | 869,000 | 34,000 | - | 903,000 |
| Unexpended net appreciation-endowment | 1,770,000 | 164,000 | 150,000 | 1,784,000 |
| | \$ 10,672,000 | \$ 6,790,000 | \$ 6,633,000 | \$ 10,829,000 |

OXFAM AMERICA, INC.

Notes to Combined Financial Statements

October 31, 2005

Note 7 – Permanently Restricted Net Assets

Permanently restricted net assets consist of gifts to be invested in perpetuity. As of October 31, 2005 and 2004, these gifts totaled \$1,568,000. The unexpended net appreciation on these gifts is reflected in the temporarily restricted net assets detailed in Note 6.

Note 8 – Donated Services

Oxfam received contributed legal services of approximately \$671,000 and \$268,000 in 2005 and 2004, respectively. The contributed services are reflected in the Statement of Activities as required under SFAS 116, “Accounting for Contributions Received and Contribution Made”, which recognizes contribution services if the services received require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Note 9 – Allocation of Joint Costs

Oxfam incurred costs for activities that included both educational information and fundraising appeals. These costs were allocated as follows:

| | <i>2005</i> | <i>2004</i> |
|--|--------------------------|--------------------------|
| Public education | \$ 715,000 | \$ 529,000 |
| Fundraising | <u>42,000</u> | <u>65,000</u> |
| Total allocation of joint costs | <u>\$ 757,000</u> | <u>\$ 594,000</u> |

Note 10 – Commitments

Oxfam leases a substantial portion of its office space, domestically and internationally, under operating lease arrangements that expire through 2016. Certain leases contain other provisions such as future increased rents and intermediate rental negotiations, as applicable. In addition, Oxfam entered into a one year lease for its headquarters located in Boston, Massachusetts, as described in Note 13. Oxfam also rents three locations on a tenant-at-will basis. Future minimum lease payments are net of income related to a sublease for one of Oxfam’s offices.

OXFAM AMERICA, INC.

Notes to Combined Financial Statements

October 31, 2005

Note 10 – Commitments (Continued)

Future minimum lease payments are as follows:

| | <u><i>Gross Lease Commitments</i></u> | <u><i>Sublease Revenue</i></u> | <u><i>Net Lease Commitments</i></u> |
|--------------|---|------------------------------------|---|
| 2006 | \$ 1,686,000 | \$ (169,000) | \$ 1,517,000 |
| 2007 | 727,000 | (208,000) | 519,000 |
| 2008 | 741,000 | (214,000) | 527,000 |
| 2009 | 757,000 | (221,000) | 536,000 |
| 2010 | 753,000 | (227,000) | 526,000 |
| Thereafter | <u>2,897,000</u> | <u>(58,000)</u> | <u>2,839,000</u> |
| Total | <u>\$ 7,561,000</u> | <u>\$ (1,097,000)</u> | <u>\$ 6,464,000</u> |

Total gross rent expense under operating leases was \$324,933 and \$293,362, and sublease income totaled \$23,409 and \$59,375, for the years ended October 31, 2005 and 2004, respectively.

Note 11 – Direct Support

Oxfam provided development and humanitarian support during the year ended October 31:

| | <i>2005</i> | <i>2004</i> |
|---|-----------------------------|-----------------------------|
| Regions of Africa | \$ 3,297,000 | \$ 2,019,000 |
| Regions of Asia | 1,649,000 | 1,621,000 |
| South America region | 1,582,000 | 1,479,000 |
| Central America/Caribbean/Mexico | 2,311,000 | 2,202,000 |
| United States | 1,466,000 | 1,033,000 |
| Humanitarian relief and rehabilitation | 23,224,000 | 1,967,000 |
| Miscellaneous | <u>358,000</u> | <u>260,000</u> |
| Total direct support to partners | <u>\$ 33,887,000</u> | <u>\$ 10,581,000</u> |

Note 12 – Uses of Reserves

Because it receives a substantial portion of its support from individual contributions, Oxfam is subject to substantial risk in the event of a sudden downturn in the economy. Consequently, the Board of Directors has adopted a policy of maintaining a cash reserve sufficient to insure the continuity of Oxfam's programming in years of revenue shortfall. Reserves in excess of targeted amounts may be utilized to support humanitarian relief and rehabilitation, to advance education and advocacy, and to support other Oxfam program objectives.

OXFAM AMERICA, INC.

Notes to Combined Financial Statements

October 31, 2005

Note 13 – Sale of Building

On November 1, 2005, Oxfam sold its headquarters building, located in Boston, Massachusetts for \$7,800,000. Management expects to report a substantial gain on the sale in fiscal year 2006. In addition, Oxfam entered into a one year lease with the purchaser, in the amount of \$951,550, to allow for relocation activities. Oxfam is presently conducting an active search for suitable locations to which their headquarters can be moved. Oxfam expects to report in 2006 expenses related to its relocation.