

**WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS**

*FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

**SEPTEMBER 30, 2007**

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

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# TAIT, WELLER & BAKER LLP

*Certified Public Accountants*

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors  
World Relief Corporation of  
National Association of Evangelicals  
Baltimore, Maryland**

We have audited the accompanying statement of financial position of World Relief Corporation of National Association of Evangelicals (the "Organization") as of September 30, 2007, and the related statements of activities and changes in net assets, of cash flows and of functional expenses for the year 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 audit. The prior year comparative information has been derived from the Organization's 2006 financial statements and, in our report dated January 11, 2007, we expressed an unqualified opinion.

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 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. We believe that our audit provides 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 World Relief Corporation of National Association of Evangelicals as of September 30, 2007, and the changes in its net assets, its cash flows and its functional expenses for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
January 15, 2008**

**WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS**

**STATEMENTS OF FINANCIAL POSITION**

**September 30, 2007 and 2006**

<b>ASSETS</b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Cash and cash equivalents	\$ 5,561,312	\$ 2,860,752
Restricted cash ( <i>Note 5</i> )	1,284,758	1,075,946
Investments, at market ( <i>Note 2</i> )	211,887	386,587
Other investments ( <i>Note 2</i> )	964,473	-
Receivables:		
Grants	3,688,160	3,693,446
Pledges ( <i>Note 3</i> )	343,917	492,351
Other	633,683	493,804
Microenterprise and agricultural loans – net ( <i>Note 4</i> )	1,151,581	850,553
Prepaid expenses and other assets	892,159	836,866
Microenterprise and agricultural assets, net – to be transferred/monetized ( <i>Note 11</i> )	7,202,852	10,215,560
Plant and equipment – net of accumulated depreciation ( <i>Note 5</i> )	<u>3,140,721</u>	<u>3,577,689</u>
<b>Total assets</b>	<b><u>\$25,075,503</u></b>	<b><u>\$24,483,554</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 2,789,916	\$ 3,009,270
Deferred revenue	559,368	582,385
Other liabilities ( <i>Note 4</i> )	298,594	179,759
Net assets to be transferred ( <i>Note 11</i> )	3,124,934	10,215,560
Long-term debt ( <i>Note 6</i> )	<u>4,475,978</u>	<u>2,956,620</u>
<b>Total liabilities</b>	<b><u>11,248,790</u></b>	<b><u>16,943,594</u></b>
Net Assets		
Unrestricted		
Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding	1,000	1,000
Net assets	<u>9,404,684</u>	<u>2,281,099</u>
<b>Total unrestricted net assets</b>	<b>9,405,684</b>	<b>2,282,099</b>
Temporarily restricted net assets ( <i>Note 7</i> )	<u>4,421,029</u>	<u>5,257,861</u>
<b>Total net assets</b>	<b><u>13,826,713</u></b>	<b><u>7,539,960</u></b>
	<b><u>\$25,075,503</u></b>	<b><u>\$24,483,554</u></b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year ended September 30, 2007 with comparative totals for 2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2007 Total</u>	<u>2006 Total</u>
<b>Support and Revenue</b>				
Contributions and non-government grants	\$ 5,140,400	\$ 17,917,783	\$23,058,183	\$ 20,983,762
Government grants	24,597,581	-	24,597,581	24,194,910
Other revenue	3,473,637	-	3,473,637	4,468,333
Net assets released from restrictions ( <i>Note 7</i> )	<u>18,754,615</u>	<u>(18,754,615)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>51,966,233</u>	<u>(836,832)</u>	<u>51,129,401</u>	<u>49,647,005</u>
<b>Expenses</b>				
Program Ministries				
USA Programs	15,695,918	-	15,695,918	16,242,900
Overseas Programs	19,417,646	-	19,417,646	17,486,175
Disaster Response	<u>5,349,625</u>	<u>-</u>	<u>5,349,625</u>	<u>10,286,011</u>
<b>Total program ministries</b>	<u>40,463,189</u>	<u>-</u>	<u>40,463,189</u>	<u>44,015,086</u>
Support Ministries				
General and administrative	5,970,684	-	5,970,684	5,562,381
Fundraising	<u>3,777,062</u>	<u>-</u>	<u>3,777,062</u>	<u>3,183,913</u>
<b>Total support ministries</b>	<u>9,747,746</u>	<u>-</u>	<u>9,747,746</u>	<u>8,746,294</u>
<b>Total expenses</b>	<u>50,210,935</u>	<u>-</u>	<u>50,210,935</u>	<u>52,761,380</u>
<b>Excess (deficit) of revenue over expenses</b>	1,755,298	(836,832)	918,466	(3,114,375)
<b>Other changes</b>				
Transfer of microenterprise and agricultural loan programs ( <i>Note 11</i> )	4,095,578	-	4,095,578	(10,215,560)
Excess revenue over expenses of microenterprise net assets to be transferred/monetized	<u>1,272,709</u>	<u>-</u>	<u>1,272,709</u>	<u>93,899</u>
<b>Change in net assets</b>	7,123,585	(836,832)	6,286,753	(13,236,036)
<b>Net Assets</b>				
Beginning of year	<u>2,282,099</u>	<u>5,257,861</u>	<u>7,539,960</u>	<u>20,775,996</u>
<b>End of year</b>	<u>\$ 9,405,684</u>	<u>\$ 4,421,029</u>	<u>\$13,826,713</u>	<u>\$ 7,539,960</u>

**WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS**

**STATEMENTS OF CASH FLOWS**

**Year ended September 30, 2007 with comparative totals for 2006**

	<u>2007</u>	<u>2006</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Changes in net assets</i>	\$ 6,286,753	\$(13,236,036)
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	530,941	661,649
Transfer of microenterprise and agricultural loan programs	(4,095,578)	10,215,560
(Gain) loss on disposal of fixed assets	35,531	(91,593)
Donation of securities	(8,230)	(38,345)
Net realized and unrealized gain on investments	(4,299)	(2,391)
Equity in loss on investment in microfinance institution	24,249	-
(Increase) decrease in		
Receivables	13,841	291,639
Prepaid expenses and other assets	(37,633)	(169,977)
Increase (decrease) in		
Accounts payable and accrued liabilities	(219,354)	1,679,973
Deferred revenue	<u>(23,017)</u>	<u>(77,318)</u>
<b>Net cash provided by (used for) operating activities</b>	<u>2,503,204</u>	<u>(766,839)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase and sale of investments, net	187,229	413,447
Investment in microenterprise entity	(988,722)	-
Capital expenditures, net	(688,124)	(382,334)
Proceeds on disposal of fixed assets	558,620	135,856
Cash to be transferred in connection with the microenterprise and agricultural assets	-	(2,143,399)
Net change in microenterprise and agricultural activities:		
Loans	(301,028)	(1,544,415)
Other liabilities (savings deposits)	<u>118,835</u>	<u>546,237</u>
<b>Net cash used for investing activities</b>	<u>(1,113,190)</u>	<u>(2,974,608)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from lines of credit and notes payable	1,700,000	1,094,377
Repayments of lines of credit and notes payable	<u>(180,642)</u>	<u>(590,866)</u>
<b>Net cash provided by financing activities</b>	<u>1,519,358</u>	<u>503,511</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	2,909,372	(3,237,936)
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Beginning	<u>3,936,698</u>	<u>7,174,634</u>
<b>Ending</b>	<u>\$ 6,846,070</u>	<u>\$ 3,936,698</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 579,679</u>	<u>\$ 307,765</u>

*The accompanying notes are an integral part of this statement.*

**WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended September 30, 2007 with comparative totals for 2006**

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2007 Total	2006 Comparative Total	General And Administrative	Fundraising	2007 Total	2006 Comparative Total	2007 Total	2006 Comparative Total
Salaries and Related Expenses	\$ 7,144,461	\$ 6,281,134	\$1,271,969	\$14,697,564	\$14,422,505	\$2,637,784	\$1,562,149	\$4,199,933	\$4,217,538	\$18,897,497	\$18,640,043
Personnel Benefits	1,524,184	1,084,885	218,187	2,827,256	2,820,166	455,510	248,088	703,598	903,175	3,530,854	3,723,341
Travel	334,059	1,601,714	203,825	2,139,598	2,261,392	237,492	318,077	555,569	476,178	2,695,167	2,737,570
Board Expenses	-	957	-	957	56	16,092	-	16,092	35,806	17,049	35,862
Communications and Printing	237,219	419,746	71,848	728,813	728,993	105,807	690,339	796,146	563,346	1,524,959	1,292,339
Office Expenses	314,036	428,807	64,853	807,696	872,887	29,542	169,952	199,494	225,124	1,007,190	1,098,011
Equipment Costs	103,033	1,659,295	208,662	1,970,990	1,897,420	69,861	6,553	76,414	66,980	2,047,404	1,964,400
Personnel Expenses	97,617	545,972	138,026	781,615	626,905	178,427	20,314	198,741	95,713	980,356	722,618
Consulting and Professional Fees	213,972	194,549	115,267	523,788	459,101	576,813	528,915	1,105,728	606,426	1,629,516	1,065,527
Computer Expense	32,322	43,268	5,176	80,766	127,823	30,601	35,896	66,497	85,654	147,263	213,477
Books and Subscriptions	8,599	6,716	1,431	16,746	88,422	2,197	2,470	4,667	11,624	21,413	100,046
Property and Liability Insurance	-	1,017	-	1,017	147	267,128	-	267,128	230,965	268,145	231,112
Interest Expense	11,186	2,815	-	14,001	28,435	275,101	17,464	292,565	162,629	306,566	191,064
Foreign Exchange	-	(2,403)	(12,609)	(15,012)	(53,410)	43	67	110	23	(14,902)	(53,387)
Depreciation and Amortization	-	207,849	9,830	217,679	236,501	163,815	-	163,815	173,613	381,494	410,114
Bad Debt Expense	(1,829)	213,794	-	211,965	59,213	135,957	74,046	210,003	115,688	421,968	174,901
Occupancy Costs	563,846	522,589	161,633	1,248,068	1,100,223	568,312	19,322	587,634	453,326	1,835,702	1,553,549
Other Expenses	24,208	276,779	18,591	319,578	373,561	203,674	80,739	284,413	321,986	603,991	695,547
Initial Refugee Grants	1,658,947	-	-	1,658,947	1,772,590	-	-	-	500	1,658,947	1,773,090
Other Grants & Specific Assistance	3,093,332	1,812,981	1,235,779	6,142,092	8,674,426	-	2,671	2,671	-	6,144,763	8,674,426
Direct Program Costs	-	3,915,283	1,547,878	5,463,161	5,978,255	16,528	-	16,528	-	5,479,689	5,978,255
Gifts-in-kind	336,726	199,899	89,279	625,904	1,539,475	-	-	-	-	625,904	1,539,475
<b>Total Expenses</b>	<b>\$15,695,918</b>	<b>\$19,417,646</b>	<b>\$5,349,625</b>	<b>\$40,463,189</b>	<b>\$44,015,086</b>	<b>\$5,970,684</b>	<b>\$3,777,062</b>	<b>\$9,747,746</b>	<b>\$8,746,294</b>	<b>\$50,210,935</b>	<b>\$52,761,380</b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2007 and 2006

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### (1) SIGNIFICANT ACCOUNTING POLICIES

#### **ORGANIZATION AND PURPOSE**

World Relief Corporation of National Association of Evangelicals (“*World Relief*”) is a not-for-profit, charitable organization and a wholly owned subsidiary of The National Association of Evangelicals, a not-for-profit religious organization. The financial statements present the financial position, results of operations and changes in net assets of World Relief.

#### **ACCOUNTING 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 assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **CONCENTRATION OF CREDIT AND OTHER RISKS**

World Relief operates in foreign countries, many of which do not have stable governments or economies. To the extent negative events occur in these countries, World Relief may not be able to recover its assets or remove its cash from these countries. Net assets of World Relief’s overseas ministry programs were approximately \$8,830,000 (including approximately \$4,078,000 of net assets to be monetized – *See Note 11*) and \$1,956,000 for the years ended September 30, 2007 and 2006, respectively.

Loans receivable are in connection with World Relief’s microenterprise development and agricultural activities (*See Note 4*). Although collateral is required on most of the loans, the loans are exposed to the risk of default on repayment. World Relief manages this risk through its underwriting process.

World Relief occasionally maintains deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 107 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

#### **FOREIGN CURRENCY TRANSLATION**

World Relief has foreign branch offices in many countries. Assets and liabilities for these foreign branch offices are translated at the rates of exchange at the balance sheet date while income statement accounts are translated at the average exchange rates in effect during the period. The effect of such translation adjustments for the years ending September 30, 2007 and 2006, was to decrease net assets by \$14,902 and \$53,387, respectively.

#### **INCOME TAXES**

World Relief is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “*Code*”) and has been classified as a public charity under Section 509(a)(1) of the Code.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2007 and 2006

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### **CONTRIBUTIONS TO INDEPENDENT ENTITIES**

It is World Relief's practice that its overseas ministry programs may eventually become independent entities or be transferred to like-minded organizations (*See Note 11*). When the decision to transfer such assets is approved, World Relief records a liability for the net assets to be transferred and a corresponding charge to operations for the contribution.

### **CASH AND CASH EQUIVALENTS**

World Relief considers cash and cash equivalents to include currency on hand, demand deposits with banks and short-term investments with maturities of less than three months when purchased.

### **INVESTMENTS**

World Relief records investments in securities at fair market value with the resulting gains and losses reported in the statement of activity. The fair market value of investments traded on a securities exchange is determined based on quoted market prices for those investments.

### **PROPERTY AND EQUIPMENT**

Property and equipment are capitalized at cost and depreciated over their estimated useful lives on the straight-line basis (buildings – 29 years, computer, office and other equipment – 3-8 years and vehicles – 5 years).

World Relief receives various federal, state, city and private grants and contracts relating to refugee immigration, relief and disaster response. Property and equipment purchased through grants/contracts are expensed in the period purchased. The property and equipment is retained by World Relief or returned to the grantor based upon the grant/contract.

### **NET ASSETS**

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of World Relief and changes therein are classified and reported as follows:

*Unrestricted Net Assets* – Net assets that are not subject to donor-imposed restrictions.

*Temporarily Restricted Net Assets* – Net assets that are subject to donor-imposed restrictions.

### **CONTRIBUTIONS**

World Relief reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as "*net assets released from restrictions.*"

# **WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS**

## ***NOTES TO FINANCIAL STATEMENTS – (Continued)***

**September 30, 2007 and 2006**

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### ***GIFTS IN-KIND AND VOLUNTARY SERVICES***

#### ***GIFTS IN-KIND***

World Relief provides, or makes available, in-kind goods for resettled refugees and for emergency interventions and other overseas programs. These resources are provided by refugee sponsors, churches, individuals and organizations. The value of in-kind contributions made to World Relief were \$625,904 in 2007 and \$1,539,475 in 2006. In addition, refugee sponsors and others often provide goods and services directly to resettled refugees; however, the value of these goods and services is not included in the financial statements.

#### ***VOLUNTARY SERVICES***

Worldwide, volunteers account for approximately 95% of the World Relief workforce, greatly multiplying the number of people reached by the organizations' global ministries. In many cases volunteers serve on the front lines of World Relief's programs, partnering with staff to increase the impact of services given. In fiscal years 2007 and 2006, more than 32,000 people volunteered with World Relief. The value of these non-paid workers is not reflected in the financial statements.

#### ***U.S. GOVERNMENT GRANTS***

World Relief has various grants with federal, state and local governments. World Relief generally recognizes revenue under these contracts when the related expenses are incurred (exchange transactions).

#### ***FUNCTIONAL ALLOCATION OF EXPENSES***

World Relief's costs of program and support activities have been summarized on a functional basis in the statement of activities and changes in net assets. The costs of certain multipurpose activities have been allocated based on level of effort among program and support ministry categories.

#### ***RECLASSIFICATIONS***

Certain reclassifications for the excess revenue over expense of the microenterprise/agricultural net assets to be transferred/monetized were made to the 2006 financial statements to conform to the 2007 presentation.

#### ***PRIOR YEAR INFORMATION***

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such comparative information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such comparative information should be read in conjunction with World Relief's audited financial statements for the year ended September 30, 2006, from which the summarized information was derived.

**WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS**

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**September 30, 2007 and 2006**

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**(2) INVESTMENTS**

At September 30, 2007 and 2006, investments consisted of the following:

***MARKETABLE SECURITIES***

	<u>2007</u>		<u>2006</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Common Stock	\$ -	\$ -	\$ 109	\$ 32
Mutual Funds	105,137	91,166	326,485	316,762
Certificates of Deposit	<u>120,721</u>	<u>120,721</u>	<u>69,793</u>	<u>69,793</u>
	<u>\$225,858</u>	<u>\$211,887</u>	<u>\$396,387</u>	<u>\$386,587</u>

At September 30, 2007 and 2006, investments had unrealized losses of \$13,971 and \$9,800, respectively.

***OTHER INVESTMENTS***

Other investments represent World Relief's investment in a microfinance financial institution, Urwego Opportunity Bank ("**UOB**"), a for-profit bank extending services to the poor of Rwanda. World Relief has an investment of 21.99% in UOB, which is carried at equity in the amount of \$964,473 at September 30, 2007 (*See Note 11*).

***INVESTMENT RETURN***

The following summarizes the investment return for the year ended September 30, 2006 and 2007:

	<u>2007</u>	<u>2006</u>
Net investment income	\$100,633	\$153,590
Net realized loss	(129)	(2,505)
Net unrealized gain (loss)	<u>(4,170)</u>	<u>4,895</u>
	<u>\$ 96,334</u>	<u>\$155,980</u>

**(3) PLEDGES RECEIVABLE**

Unconditional promises to give are included in the financial statements as pledges receivable. Unconditional promises to give at September 30, 2007 and 2006 were expected to be realized in one year or less.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2007 and 2006

### (4) MICROENTERPRISE AND AGRICULTURAL LOANS

World Relief had the following loans receivable at September 30:

	<u>2007</u>	<u>2006</u>
Microenterprise loans (net of allowance of \$129,656 in 2007 and \$98,736 in 2006)	\$ 941,297	\$650,553
Agricultural loans (net of allowance of \$125,987 in 2007)	<u>210,284</u>	<u>200,000</u>
	<u>\$1,151,581</u>	<u>\$850,553</u>

The purpose of the microenterprise loans is to provide assistance to start-up income generation activities in developing or post-conflict countries, and the interest from these loans is used to sustain the loan program. When repaid, these loans are either recycled as additional loans or, as approved by program management, used to sustain the loan program. These microenterprise activities represent start-up programs located in Burundi, the Democratic Republic of Congo and Haiti. Once these microenterprise loan programs mature, World Relief generally seeks to find partners to invest in such programs (*See Note 11*). Agricultural loans are granted for the purpose of improving the delivery of agricultural services to small farmers in Nicaragua.

Certain microenterprise loan programs have a mandatory savings requirement which require the borrower to pay a certain amount above principal and interest. This savings requirement, which is retained by the local World Relief microfinance institution and can be applied towards balances in default, was \$298,594 and \$179,759, as of September 30, 2007 and 2006, respectively.

### (5) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2007</u>	<u>2006</u>
Land	\$ -	\$ 92,000
Buildings	1,708,152	1,932,436
Computers, office and other equipment	3,764,038	3,398,680
Vehicles	<u>2,285,707</u>	<u>2,156,830</u>
	7,757,897	7,579,946
Less: accumulated depreciation	<u>4,617,176</u>	<u>4,002,257</u>
Net value	<u>\$3,140,721</u>	<u>\$3,577,689</u>

During the year ended September 30, 2001, World Relief paid \$1,753,576 before certain settlement adjustments for the purchase of a building, the rent of a second adjoining building through December 2008, and the option to purchase the second adjoining building in December 2008 for approximately the fair market of the building, estimated to be \$1,400,000. This agreement also requires World Relief to fund an escrow account to accumulate approximately \$1,400,000 by December 2008 by making lease payments (\$15,300 per month) equal to the amount necessary to amortize the purchase price of the building. As of September 30, 2007 and 2006, the escrow deposit was \$1,284,758 and \$1,075,946, respectively.

World Relief capitalized the amount estimated to be the fair value of the building and recorded the remaining amount as prepaid rent. Prepaid rent is being amortized on a straight-line basis over the life of the lease. At September 30, 2007 and 2006, prepaid rent was \$56,191 and \$104,287, respectively.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2007 and 2006

### (6) DEBT

A summary of long-term debt is as follows:

	<u>2007</u>	<u>2006</u>
<b><u>General</u></b>		
\$1,500,000 term loan bearing interest at the London Inter Bank Offering (LIBOR) rate plus 2.75% expiring November 1, 2008. Interest only was due through September 30, 2003, monthly installments of \$8,333 were due thereafter. The use of proceeds for this loan is to provide financing for real estate in Baltimore, Maryland. The loan agreement has certain covenants and is secured by a first mortgage on the property. <sup>(a)</sup>	\$1,108,335	\$1,208,333
Revolving \$1,000,000 line of credit bearing interest at the lower of prime rate or LIBOR plus 2.75% converted to a term loan in November 2006 (see below). The interest rate at September 30, 2006 was 8.08%. This line of credit was secured by substantially all assets of World Relief and subject to various liquidity and debt ratio covenants.	-	1,000,000
\$2,500,000 term loan bearing interest at LIBOR plus 2.75% payable in full by April 30, 2008. The interest rate at September 30, 2007 was 8.47%. This term loan is secured by substantially all assets of World Relief and subject to various liquidity and debt ratio covenants, including remitting to the bank 50% of the proceeds from the microenterprise net assets to be monetized.	2,500,000	-
Two \$125,000 loans payable to the City of Baltimore bearing 4% interest and maturing November 1, 2011. The first loan is payable in monthly installments of \$1,266. Interest and principal on the second loan was deferred for three years and then is payable in monthly installments of \$1,921 beginning December 1, 2004.	149,044	178,092
Note payable with a bank in monthly installments of \$2,100 with an interest rate of 7.25%. All principal and accrued interest is due and payable on August 31, 2011. The note is subject to certain financial covenants and is secured by a mortgage on land and a building in Atlanta, Georgia.	168,768	173,996
Loans payable in the amount of \$200,000 with no interest maturing in June 2009 (\$100,000) and June 2010 (\$100,000).	200,000	-
Other notes payable	<u>349,831</u>	<u>396,199</u>
Total debt	<u>\$4,475,978</u>	<u>\$2,956,620</u>

<sup>(a)</sup> As part of the debt refinancing, World Relief entered into an interest rate swap agreement, which matures on November 1, 2008, on the \$1.5 million term loan. The agreement provides for World Relief to swap their variable rate of interest to a fixed rate of interest at 5.84%. At September 30, 2007 and 2006, the fair value of the swap instrument was not materially different than the value at the date of issuance.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

### September 30, 2007 and 2006

Commencing July 31, 2007, World Relief has available a \$1,000,000 line of credit which bears interest at LIBOR plus 2.75% expiring April 30, 2008. Use of proceeds are to support cash flow needs and general operating purposes. There was no balance outstanding at September 30, 2007.

Principal reduction of long-term debt for succeeding years are as follows:

2008*	\$2,701,381
2009	265,664
2010	269,431
2011	280,237
2012	129,416
2013 and thereafter	<u>829,849</u>
	<u>\$4,475,978</u>

\*The bank is willing to renegotiate the \$2.5 million term loan, which is due April 30, 2008, to a longer term maturity.

Interest expense for the years ended September 30, 2007 and 2006 was \$579,679 (including \$273,411 from microenterprise programs to be monetized) and \$307,765, respectively.

### (7) NET ASSETS

Unrestricted net assets at September 30, 2007 and 2006 consist of the following:

	<u>2007</u>	<u>2006</u>
Microenterprise/agricultural development activities	\$2,575,212	\$1,213,951
Microenterprise activities to be monetized	4,077,918	-
General unrestricted	<u>2,752,554</u>	<u>1,068,148</u>
	<u>\$9,405,684</u>	<u>\$2,282,099</u>

Temporarily restricted net assets at September 30, 2007 and 2006 are available for the following purposes:

	<u>2007</u>	<u>2006</u>
USA Programs	\$ 319,863	\$ 221,886
Overseas Programs	1,913,754	1,663,907
Disaster Response	1,653,682	2,879,717
General and administrative	189,813	-
Time restricted contributions	<u>343,917</u>	<u>492,351</u>
	<u>\$4,421,029</u>	<u>\$5,257,861</u>

Net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes as follows:

Purposes restrictions accomplished:

USA Programs	\$ 674,424
Overseas Programs	10,766,393
Disaster Response	6,821,447
Time restricted contributions	<u>492,351</u>
	<u>\$18,754,615</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2007 and 2006**

### (8) PENSION PLAN

All salaried employees, excluding foreign nationals of the overseas offices who have separate local pension plans, of World Relief who have attained the age of 21 and have completed six months of service are eligible to participate in the World Relief 401(k) defined contribution plan. World Relief matches employee deferrals up to 3 percent. In addition, for the calendar year 2006, World Relief provided an accrual of approximately \$217,000 to make a discretionary contribution of 4% of salaries for all eligible employees, however, in 2007, World Relief made the decision not to make a discretionary contribution and reversed the accrual. There was no discretionary contribution for the year ended September 30, 2007. Total expense charged for contributions to the plan related to the employer match portion was approximately \$432,000 and \$405,000 for the years ended September 30, 2007 and 2006, respectively.

### (9) COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

World Relief incurred approximately \$1,193,000 and \$1,117,000 of expenses related to operating leases for the years ending September 30, 2007 and 2006, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2007, were as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2008	\$265,000
2009	84,200
2010	67,300
2011	<u>15,300</u>
	<u>\$431,800</u>

### (10) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2007 are as follows:

	<u>Technical Units</u>	<u>USA</u>	<u>Latin America</u>	<u>Africa Great Lakes and East Africa</u>	<u>Southern Africa</u>	<u>West Africa</u>	<u>South And Southeast Asia</u>	<u>2007 Total</u>
Agriculture	\$ 118	\$ -	\$1,080,991	\$ 228,626	\$ 516,433	\$ -	\$ -	\$ 1,826,168
Anti-Trafficking	-	240,730	-	-	-	155,281	4,538	400,549
Child Development	40,579	-	-	621,066	191,767	20,794	482,425	1,356,631
Emergency Relief	1,402,262	-	-	3,251,135	268,174	-	1,562,677	6,484,248
HIV/AIDS	595,462	-	783,245	2,622,689	2,356,100	156,346	202,013	6,715,855
Local Partner Strengthening	233	196	-	1,815,714	687,448	-	175,208	2,678,799
Maternal And Child Health	200,929	-	60,880	600,884	1,388,103	-	1,135,654	3,386,450
Micro Economic Development	506,122	-	136,849	832,683	-	-	41,745	1,517,399
Refugee Resettlement	-	13,135,492	-	710,905	-	27,588	-	13,873,985
Service To Immigrants	-	2,223,105	-	-	-	-	-	2,223,105
	<u>\$2,745,705</u>	<u>\$ 15,599,523</u>	<u>\$2,061,965</u>	<u>\$10,683,702</u>	<u>\$5,408,025</u>	<u>\$360,009</u>	<u>\$3,604,260</u>	<u>\$40,463,189</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2007 and 2006

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### (11) NET ASSETS TO BE TRANSFERRED/MONETIZED

In 2006, the Board of Directors of World Relief had approved the transfer of the net assets of certain microenterprise/agricultural development activities located in Rwanda, Kosovo, Mozambique, Cambodia and Nicaragua amounting to approximately \$10,215,000 to a stand-alone microfinance-focused nonprofit organization to be established by World Relief. These transfers were to be made without value or consideration to World Relief. As such, a liability in the amount of approximately \$10,215,000 was recorded for the approved transfer in 2006.

In 2007, World Relief merged its 55.6% interest in a community bank in Rwanda with another bank in Rwanda and formed Urwego Opportunity Bank of Rwanda (“*UOB*”). UOB is a for-profit bank extending financial services to the poor of Rwanda. World Relief’s ownership decreased to a minority position of 21.99%. With this transaction, World Relief retained its net asset value of the Rwanda microfinance net assets and is carrying its ownership as an investment at equity (*See Note 2*) which represents its applicable interest of UOB’s equity. Management then determined that it could receive not only value, but also capable partners, for its other microenterprise programs approved for transfer. As such, management decided to pursue this new plan of transferring its microenterprise net assets resulting in the elimination of the liability established at September 30, 2006 in the amount of approximately \$6,777,000. Management is continuing the process as of September 30, 2007 of transferring without consideration its agricultural development net assets of approximately \$3,125,000 to local ownership.

In connection with management’s new plan of transferring its net assets of the other microfinance programs, World Relief has actively solicited like-minded organizations to invest in and take a majority interest in the microfinance programs in Mozambique, Kosovo and Cambodia. Negotiations in Mozambique at the end of fiscal 2007 have resulted in a decision to transfer Mozambique’s net assets to a yet to be formed local non-profit organization during fiscal 2008 for consideration equal to the amount of the net assets which is approximately \$759,000. World Relief has received offers to invest in BZMF (Kosovo) and CREDIT (Cambodia) in which World Relief would receive consideration and would retain a minority ownership in the net assets. These offers are still under review. Also, in connection with pursuing its new plan, management reviewed the carrying value of the net assets of BZMF and CREDIT and determined that based on the realities of a difficult operating environment in Kosovo and the uncertainties associated with sovereignty issues, World Relief wrote-down its net assets for BZMF as an impairment loss of approximately \$2,681,000. As a result of the elimination of the 2006 liability and the 2007 impairment loss, approximately \$4,096,000 has been included under other changes in the statement of activities and changes in net assets. In addition, for the year ended September 30, 2007, the income and expenses related to these microenterprise activities are included under other changes in the statement of activities and changes in net assets. Amounts for 2006 have been similarly reclassified.

**WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS**

**NOTES TO FINANCIAL STATEMENTS – (Continued)**

**September 30, 2007 and 2006**

The net assets to be transferred/monetized at September 30, 2007 (with comparative amounts at September 30, 2006) consist of the following:

	<u>2007</u>	<u>2006</u>
<b>Assets</b>		
Cash	\$ 1,353,029	\$ 2,143,400
Investments	-	56,777
Receivables – other	146,202	207,110
Prepaid expenses and other assets	637,204	131,149
Microenterprise and agricultural loans – net	13,277,457	12,146,465
Plant and equipment – net of accumulated depreciation	<u>726,126</u>	<u>1,084,524</u>
<b>Total assets</b>	<u>16,140,018</u>	<u>15,769,425</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	981,138	1,568,987
Long-term debt	6,227,497	2,741,006
Other liabilities	<u>1,728,531</u>	<u>1,243,872</u>
<b>Total liabilities</b>	<u>8,937,166</u>	<u>5,553,865</u>
<b>Net Assets</b>	<u>\$ 7,202,852</u>	<u>\$10,215,560</u>
<b>Recorded as a Liability</b>		
Microenterprise and agricultural net assets – to be transferred	<u>\$3,124,934</u>	<u>\$10,215,560</u>
<b>Included in net assets</b>		
Microenterprise net assets – to be monetized	<u>\$4,077,918</u>	<u>\$ -</u>

The revenues and expenses related to these activities for the years ended September 30, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Revenues	\$4,740,787	\$5,038,241
Expenses	<u>3,468,078</u>	<u>4,944,342</u>
Change in net assets	<u>\$1,272,709</u>	<u>\$ 93,899</u>