

TAIT, WELLER & BAKER LLP
Certified Public Accountants

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

*FINANCIAL STATEMENTS
AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

SEPTEMBER 30, 2006

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

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TAIT, WELLER & BAKER LLP
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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, 2006, 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 2005 financial statements and, in our report dated December 21, 2005, 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, 2006, 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 11, 2007

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

STATEMENTS OF FINANCIAL POSITION

September 30, 2006 and 2005

ASSETS	<u>2006</u>	<u>2005</u>
Cash and cash equivalents	\$ 2,860,752	\$ 6,336,089
Restricted cash (<i>Note 5</i>)	1,075,946	838,545
Investments, at market (<i>Note 2</i>)	386,587	816,075
Receivables:		
Grants	3,693,446	3,303,285
Pledges (<i>Note 3</i>)	492,351	1,197,115
Other	493,804	677,951
Microenterprise and agricultural loans – net (<i>Note 4</i>)	850,553	11,452,603
Prepaid expenses and other assets	836,866	798,037
Microenterprise and agricultural assets, net – to be transferred (<i>Note 11</i>)	10,215,560	-
Plant and equipment – net of accumulated depreciation (<i>Note 5</i>)	<u>3,577,689</u>	<u>4,985,791</u>
Total assets	<u>\$24,483,554</u>	<u>\$30,405,491</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 3,009,270	\$ 2,898,284
Deferred revenue	582,385	659,703
Other liabilities (<i>Note 4</i>)	179,759	877,394
Net assets to be transferred (<i>Note 11</i>)	10,215,560	-
Long-term debt (<i>Note 6</i>):		
General	2,956,620	3,157,538
Microenterprise/agricultural development	<u>-</u>	<u>2,036,576</u>
Total liabilities	<u>16,943,594</u>	<u>9,629,495</u>
Net Assets		
Unrestricted		
Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding	1,000	1,000
Net assets	<u>2,281,099</u>	<u>12,295,464</u>
Total unrestricted net assets	2,282,099	12,296,464
Temporarily restricted net assets (<i>Note 7</i>)	<u>5,257,861</u>	<u>8,479,532</u>
Total net assets	<u>7,539,960</u>	<u>20,775,996</u>
	<u>\$24,483,554</u>	<u>\$30,405,491</u>

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

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended September 30, 2006 with comparative totals for 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>	<u>2005 Total</u>
Support and Revenue				
Contributions and non-government grants	\$ 10,708,905	\$ 11,269,453	\$ 21,978,358	\$25,048,030
Government grants	25,038,504	-	25,038,504	25,714,894
Other revenue	7,668,384	-	7,668,384	6,674,330
Net assets released from restrictions (<i>Note 7</i>)	<u>14,491,124</u>	<u>(14,491,124)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>57,906,917</u>	<u>(3,221,671)</u>	<u>54,685,246</u>	<u>57,437,254</u>
Expenses				
Program Ministries				
USA Programs	16,242,900	-	16,242,900	17,082,358
Overseas Programs	22,255,681	-	22,255,681	18,869,397
Disaster Response	<u>10,351,011</u>	<u>-</u>	<u>10,351,011</u>	<u>7,679,585</u>
Total program ministries	<u>48,849,592</u>	<u>-</u>	<u>48,849,592</u>	<u>43,631,340</u>
Support Ministries				
General and administrative	5,666,440	-	5,666,440	4,945,622
Fundraising	<u>3,189,690</u>	<u>-</u>	<u>3,189,690</u>	<u>2,852,054</u>
Total support ministries	<u>8,856,130</u>	<u>-</u>	<u>8,856,130</u>	<u>7,797,676</u>
Total expenses	<u>57,705,722</u>	<u>-</u>	<u>57,705,722</u>	<u>51,429,016</u>
Excess (deficit) of revenue over expenses	201,195	(3,221,671)	(3,020,476)	6,008,238
Other changes				
Transfer of microenterprise and agricultural loan programs (<i>Note 11</i>)	<u>(10,215,560)</u>	<u>-</u>	<u>(10,215,560)</u>	<u>-</u>
Change in net assets	<u>(10,014,365)</u>	<u>(3,221,671)</u>	<u>(13,236,036)</u>	<u>6,008,238</u>
Net Assets				
Beginning of year	<u>12,296,464</u>	<u>8,479,532</u>	<u>20,775,996</u>	<u>14,767,758</u>
End of year	<u>\$ 2,282,099</u>	<u>\$ 5,257,861</u>	<u>\$ 7,539,960</u>	<u>\$20,775,996</u>

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

STATEMENTS OF CASH FLOWS

Year ended September 30, 2006 with comparative totals for 2005

	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$(13,236,036)	\$ 6,008,238
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	661,649	488,576
Transfer of microenterprise and agricultural loan programs	10,215,560	-
Gain on disposal of fixed assets	(91,593)	(97,622)
Donation of securities	(38,345)	(324,210)
Net realized and unrealized (gain) loss on investments	(2,391)	28,335
(Increase) decrease in		
Receivables	291,639	(689,261)
Prepaid expenses and other assets	(169,977)	(238,654)
Increase (decrease) in		
Accounts payable and accrued liabilities	1,679,973	(22,904)
Deferred revenue	<u>(77,318)</u>	<u>(360,307)</u>
Net cash provided by (used for) operating activities	<u>(766,839)</u>	<u>4,792,191</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase and sale of investments, net	413,447	409,989
Capital expenditures, net	(382,334)	(569,055)
Proceeds on disposal of fixed assets	135,856	-
Net change in microenterprise and agricultural activities:		
Loans	(1,544,415)	(2,505,357)
Other liabilities (savings deposits)	<u>546,237</u>	<u>89,895</u>
Net cash used for investing activities	<u>(831,209)</u>	<u>(2,574,528)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit and notes payable	1,094,377	3,735,426
Repayments of lines of credit and notes payable	<u>(590,866)</u>	<u>(2,027,895)</u>
Net cash provided by financing activities	<u>503,511</u>	<u>1,707,531</u>
Net increase (decrease) in cash and cash equivalents	(1,094,537)	3,925,194
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning	<u>7,174,634</u>	<u>3,249,440</u>
Ending	<u>\$ 6,080,097</u>	<u>\$ 7,174,634</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 307,765</u>	<u>\$ 254,178</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2006 with comparative totals for 2005

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2006 Total	2005 Comparative Total	General And Administrative	Fundraising	2006 Total	2005 Comparative Total	2006 Total	2005 Comparative Total
Salaries and Related Expenses	\$ 7,319,908	\$ 6,819,664	\$ 1,705,321	\$15,844,893	\$14,663,064	\$2,908,711	\$1,395,238	\$4,303,949	\$3,583,901	\$20,148,842	\$18,246,965
Personnel Benefits	1,649,099	1,019,676	309,795	2,978,570	2,872,835	678,552	244,838	923,390	726,641	3,901,960	3,599,476
Travel	341,274	1,909,323	236,831	2,487,428	1,951,458	205,213	273,985	479,198	370,145	2,966,626	2,321,603
Board Expenses	-	275	-	275	179	35,540	266	35,806	43,968	36,081	44,147
Communications and Printing	231,206	536,925	89,080	857,211	860,484	83,334	480,012	563,346	518,235	1,420,557	1,378,719
Office Expenses	332,628	665,901	237,206	1,235,735	942,048	48,838	176,383	225,221	286,194	1,460,956	1,228,242
Equipment Costs	83,103	1,785,655	354,533	2,223,291	2,198,471	61,728	5,252	66,980	93,749	2,290,271	2,292,220
Personnel Expenses	122,835	575,458	20,734	719,027	299,880	80,442	15,271	95,713	47,591	814,740	347,471
Consulting and Professional Fees	126,243	389,284	145,468	660,995	563,556	286,801	319,625	606,426	823,933	1,267,421	1,387,489
Computer Expense	47,410	85,751	12,114	145,275	150,679	33,456	52,291	85,747	49,914	231,022	200,593
Books and Subscriptions	20,504	68,048	1,526	90,078	34,889	4,211	7,413	11,624	13,995	101,702	48,884
Property and Liability Insurance	-	147	-	147	992	230,965	-	230,965	244,759	231,112	245,751
Interest Expense	12,386	132,801	-	145,187	104,856	146,829	15,800	162,629	149,322	307,816	254,178
Foreign Exchange	-	(226,641)	12,992	(213,649)	143,946	23	-	23	425	(213,626)	144,371
Depreciation and Amortization	-	480,886	7,150	488,036	416,887	173,613	-	173,613	71,689	661,649	488,576
Bad Debt Expense	45	391,285	-	391,330	202,499	115,688	-	115,688	-	507,018	202,499
Occupancy Costs	549,080	646,056	114,872	1,310,008	1,252,867	438,431	14,895	453,326	389,549	1,763,334	1,642,416
Other Expenses	34,499	358,159	69,891	462,549	278,268	133,565	188,421	321,986	383,666	784,535	661,934
Initial Refugee Grants	1,772,590	-	-	1,772,590	2,063,921	500	-	500	-	1,773,090	2,063,921
Other Grants & Specific Assistance	3,404,589	1,356,111	4,308,908	9,069,608	7,996,536	-	-	-	-	9,069,608	7,996,536
Direct Program Costs	-	4,007,714	2,633,819	6,641,533	5,716,313	-	-	-	-	6,641,533	5,716,313
Gifts-in-kind	195,501	1,253,203	90,771	1,539,475	916,712	-	-	-	-	1,539,475	916,712
Total Expenses	\$16,242,900	\$22,255,681	\$10,351,011	\$48,849,592	\$43,631,340	\$5,666,440	\$3,189,690	\$8,856,130	\$7,797,676	\$57,705,722	\$51,429,016

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS

September 30, 2006 and 2005

(1) SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

World Relief Corporation of National Association of Evangelicals is a not-for-profit, charitable organization and a wholly owned subsidiary of The National Association of Evangelicals, a not-for-profit religious organization. World Relief is a 55.6% (100% in 2005) shareholder and a 74% shareholder in two microenterprise entities. The financial statements present the financial position, results of operations and changes in net assets of World Relief and the two majority-owned microenterprise entities ("*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.

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. 105 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, 2006 and 2005, was to increase net assets by \$213,626 and decrease net assets by \$144,371, 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, 2006 and 2005

CONTRIBUTIONS TO INDEPENDENT ENTITIES

Wherever possible, it is World Relief's practice that its overseas ministry programs eventually become independent entities. Upon completion of an overseas program, the Board of Directors of World Relief may approve transfers of various net assets to its overseas independent entities. After the contribution decision is made, World Relief also transfers its assets at net book value to the organization. Net assets of World Relief's overseas ministry programs were approximately \$12,774,000 and \$14,347,000 as of September 30, 2006 and 2005, respectively. Management transferred approximately \$10,215,000 of net assets to independent entities in 2006 (*See Note 11*). Management did not transfer any net assets to independent entities during fiscal year 2005.

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.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006 and 2005

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.”*

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 \$1,539,475 in 2006 and \$916,712 in 2005. 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 comprise 95 percent of the World Relief workforce, multiplying many times over the impact of its global ministries. In many cases volunteers provide the primary role in the services that are delivered. In fiscal year 2006 more than 32,000 people volunteered with World Relief, up from the 2005 levels of over 31,000 volunteers. 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 were made to the 2005 financial statements to conform to the 2006 presentation.

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such 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 information should be read in conjunction with World Relief’s audited financial statements for the year ended September 30, 2005, from which the summarized information was derived.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006 and 2005

(2) INVESTMENTS

At September 30, 2006 and 2005, investments consisted of the following:

	<u>2006</u>		<u>2005</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Common Stock	\$ 109	\$ 32	\$ 109	\$ 32
Mutual Funds	326,485	316,762	787,521	772,903
Certificates of Deposit	<u>69,793</u>	<u>69,793</u>	<u>43,140</u>	<u>43,140</u>
	<u>\$396,387</u>	<u>\$386,587</u>	<u>\$830,770</u>	<u>\$816,075</u>

At September 30, 2006 and 2005, investments had unrealized losses of \$9,800 and \$14,695, respectively.

The following summarizes the investment return for the year ended September 30, 2006 and 2005:

	<u>2006</u>	<u>2005</u>
Net investment income	\$153,590	\$ 56,324
Net realized loss	(2,505)	(2,012)
Net unrealized gain (loss)	<u>4,895</u>	<u>(26,323)</u>
	<u>\$155,980</u>	<u>\$ 27,989</u>

(3) PLEDGES RECEIVABLE

Unconditional promises to give are included in the financial statements as pledges receivable. Pledges are recorded after discounting to the present value of the future cash flows.

Unconditional promises to give at September 30, 2006 and 2005 are expected to be realized as follows:

	<u>2006</u>	<u>2005</u>
In one year or less	\$492,351	\$ 812,500
In one to five years	<u>-</u>	<u>400,000</u>
	492,351	1,212,500
Less discount at 4.0% to present value	<u>-</u>	<u>15,385</u>
Net contributions receivable	<u>\$492,351</u>	<u>\$1,197,115</u>

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006 and 2005

(4) MICROENTERPRISE AND AGRICULTURAL LOANS

World Relief had the following loans receivable at September 30:

	<u>2006</u>	<u>2005</u>
Microenterprise loans (net of allowance of \$98,736 in 2006 and \$224,866 in 2005)	\$650,553	\$ 8,475,144
Agricultural loans (net of allowance of \$104,726 in 2005)	<u>200,000</u>	<u>2,977,459</u>
	<u>\$850,553</u>	<u>\$11,452,603</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. 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 \$179,759 and \$877,394, as of September 30, 2006 and 2005, respectively.

(5) PLANT AND EQUIPMENT

The cost of such assets are as follows:

	<u>2006</u>	<u>2005</u>
Land	\$ 92,000	\$ 203,546
Buildings	1,932,436	3,005,117
Computers, office and other equipment	3,398,680	4,398,522
Vehicles	<u>2,156,830</u>	<u>3,442,017</u>
	7,579,946	11,049,202
Less: accumulated depreciation	<u>4,002,257</u>	<u>6,063,411</u>
Net value	<u>\$3,577,689</u>	<u>\$ 4,985,791</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, 2006 and 2005, the escrow deposit was \$1,075,946 and \$838,545, 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, 2006 and 2005, prepaid rent was \$104,287 and \$152,383, respectively.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006 and 2005

(6) DEBT

A summary of long-term debt is as follows:

	<u>2006</u>	<u>2005</u>
<u>General</u>		
\$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.	\$1,208,333 ^(a)	\$1,308,333 ^(a)
\$560,868 term loan bearing interest at LIBOR plus 3.00% expiring December 31, 2005. Installments are due according to a customized amortization schedule. The use of proceeds and covenants are the same as those in the note listed above. This agreement is secured by substantially all assets of World Relief.	-	120,000
Revolving \$1,000,000 line of credit bearing interest at the lower of prime rate or LIBOR plus 2.75% expiring April 30, 2007 (\$2,500,000 as of November 2006). The interest rate at September 30, 2006 and 2005 was 8.08% and 6.44%, respectively. This line of credit is secured by substantially all assets of World Relief and subject to various liquidity and debt ratio covenants.	1,000,000	1,000,000
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.	178,092	206,037
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.	173,996	186,811
Other notes payable	<u>396,199</u>	<u>336,357</u>
Total general debt	<u>2,956,620</u>	<u>3,157,538</u>

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
<u>Microenterprise/Agricultural Development</u>		
Loan payable with a bank with a stated interest rate of 0%. Under the agreement, World Relief must use the funds to make loans through Beselidhja Zavet Microfinance (BZMF), their microenterprise development program in Kosovo. World Relief is required to pay an insurance fee equal to 6% of the outstanding balance, payable June 30 and December 31 of each year. The loan is subject to certain financial covenants and all principal is due and payable on December 31, 2006.	-	722,543
Loan payable with the Government of the Kingdom of Denmark with no interest. Under the agreement, World Relief must use the funds to make loans through Beselidhja Zavet Microfinance (BZMF), their microenterprise development program in Kosovo. World Relief is required to pay a 2% fee on funds received in years 1 and 2 and a 1% fee on funds received in year 3. Payment of the fee shall be made quarterly every March 31 st , June 30 th , September 30 th , and December 31 st .	-	906,633
Line of credit in the amount of 200,000 EURO at an annual interest rate of 10% expiring on March 31, 2006. This line of credit is secured by substantially all assets of World Relief.	-	59,237
Other notes payable	-	<u>348,163</u>
Total microenterprise/agricultural development debt	-	<u>2,036,576</u>
Total debt	<u>\$2,956,620</u>	<u>\$5,194,114</u>

- (a) 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, 2006 and 2005, the fair value of the swap instrument was not materially different than the value at the date of issuance.

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

2007	\$1,228,087
2008	162,109
2009	1,073,998
2010	69,431
2011	174,661
2012 and thereafter	<u>248,334</u>
	<u>\$2,956,620</u>

Interest expense for the years ended September 30, 2006 and 2005 was \$307,765 and \$254,178, respectively.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006 and 2005

(7) NET ASSETS

Unrestricted net assets at September 30, 2006 and 2005 consist of the following:

	<u>2006</u>	<u>2005</u>
Microenterprise/agricultural development activities	\$1,213,951	\$11,217,490
General unrestricted	<u>1,068,148</u>	<u>1,078,974</u>
	<u>\$2,282,099</u>	<u>\$12,296,464</u>

Temporarily restricted net assets at September 30, 2006 and 2005 are available for the following purposes:

	<u>2006</u>	<u>2005</u>
USA Programs	\$ 221,886	\$ 145,553
Overseas Programs	1,663,907	1,438,421
Disaster Response	2,879,717	5,698,443
Time restricted contributions	<u>492,351</u>	<u>1,197,115</u>
	<u>\$5,257,861</u>	<u>\$8,479,532</u>

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

Purposes restrictions accomplished:

USA Programs	\$ 612,138
Overseas Programs	2,811,814
Disaster Response	<u>11,067,172</u>
	<u>\$14,491,124</u>

(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 years 2006 and 2005, World Relief has elected to make a discretionary contribution of 4% of salaries for all eligible employees. Total expense charged for contributions to the plan was approximately \$622,000 and \$523,500 for the years ended September 30, 2006 and 2005, respectively.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006 and 2005

(9) COMMITMENTS AND CONTINGENCIES

COMMITMENTS

World Relief incurred approximately \$1,117,000 and \$1,023,000 of expenses related to operating leases for the years ending September 30, 2006 and 2005, respectively.

Future minimum payments under these leases which are in excess of one year as of September 30, 2006, were as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2007	\$188,700
2008	101,000
2009	26,200
2010	8,100
2011	<u>5,400</u>
	<u>\$329,400</u>

(10) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2006 and summarized for 2005 as follows:

	<u>Technical Units</u>	<u>USA</u>	<u>Latin America</u>	<u>Great Lakes Africa</u>	<u>Southern Africa</u>	<u>West Africa</u>	<u>South And Southeast Asia</u>	<u>Other Regions*</u>	<u>2006 Total</u>	<u>2005 Total</u>
Emergency Relief	\$ 3,826,723	\$ 85,257	\$ 70,987	\$ 5,327	\$1,758,622	\$ -	\$ 4,723,021	\$1,790,665	\$12,260,602	\$ 7,209,216
Post Disaster Rehab	-	-	94	317,289	-	388,814	25,216	72,317	803,730	1,242,742
AIDS	448,018	-	643,512	2,455,399	2,134,426	197,059	216,108	811,916	6,906,438	6,587,200
Maternal and Child Health	179,235	-	47,885	524,068	1,026,662	-	234,213	1,758,088	3,770,151	2,970,923
Community Banking	296,533	-	215,963	2,039,249	729,137	125,877	1,018,438	1,165,961	5,591,158	5,226,498
Food Security	-	-	1,316,307	113,549	131,539	-	-	5,649	1,567,044	2,041,076
Child Development	46,895	-	-	-	227	105,287	450,673	57,766	660,848	448,037
Immigration and Urban	103,064	2,268,445	-	-	-	-	-	-	2,371,509	2,598,396
Refugee Care	<u>1,213,638</u>	<u>12,657,700</u>	<u>-</u>	<u>500,505</u>	<u>382,271</u>	<u>163,998</u>	<u>-</u>	<u>-</u>	<u>14,918,112</u>	<u>15,307,252</u>
2006 Totals	<u>\$ 6,114,106</u>	<u>\$ 15,011,402</u>	<u>\$ 2,294,748</u>	<u>\$ 5,955,386</u>	<u>\$ 6,162,884</u>	<u>\$ 981,035</u>	<u>\$ 6,667,669</u>	<u>\$ 5,662,362</u>	<u>\$ 48,849,592</u>	
2005 Totals	<u>\$ 2,928,975</u>	<u>\$ 16,640,349</u>	<u>\$ 2,705,061</u>	<u>\$ 4,977,345</u>	<u>\$ 6,055,218</u>	<u>\$ 981,128</u>	<u>\$ 6,001,230</u>	<u>\$ 3,342,034</u>		<u>\$ 43,631,340</u>

* Other Regions include Sudan (Darfur and Southern), Kenya, Turkey, Kosovo, China, Mongolia and Iran.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2006 and 2005

(11) NET ASSETS TO BE TRANSFERRED

The Board of Directors of World Relief has approved the establishment of a stand-alone microfinance-focused nonprofit organization. The Board has also approved the transfer of the net assets of certain microenterprise/agricultural development activities including programs located in Rwanda, Kosovo, Mozambique, Cambodia and Nicaragua. Management plans on transferring the microfinance-related assets to the proposed nonprofit organization and transferring the agricultural development activities to local ownership. The microfinance nonprofit organization is in the process of being organized by World Relief and is subject to World Relief Board of Director's final approval. This organization's primary mission will be to bring to scale these microfinance activities. While World Relief is organizing and forming this nonprofit organization, World Relief will not have both control of, through the Board of Directors, and an economic interest in this nonprofit organization. As a result, consolidation of such entity is not permitted. The asset and liabilities of these activities have been presented on the Statement of Financial Position as "net assets to be transferred" along with a related liability in the same amount.

The net assets to be transferred at September 30, 2006 (with comparative amounts at September 30, 2005) to consist of the following:

	<u>2006</u>	<u>2005</u>
Assets		
Cash	\$ 2,143,400	\$ 1,692,767
Investments	56,777	71,294
Receivables – other	207,110	70,525
Prepaid expenses and other assets	131,149	97,669
Microenterprise and agricultural loans – net	12,146,465	10,718,624
Plant and equipment – net of accumulated depreciation	<u>1,084,524</u>	<u>1,302,754</u>
Total assets	<u>15,769,425</u>	<u>13,953,633</u>
Liabilities		
Accounts payable and accrued liabilities	\$ 1,568,987	\$ 761,202
Deferred revenue	-	224,167
Long-term debt	2,741,006	2,036,576
Other liabilities	<u>1,243,872</u>	<u>810,027</u>
Total liabilities	<u>5,553,865</u>	<u>3,831,972</u>
Net Assets	<u>\$10,215,560</u>	<u>\$10,121,661</u>

The revenues and expenses related to these activities for the years ended September 30, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Revenues	\$5,038,241	\$5,555,930
Expenses	<u>4,944,342</u>	<u>4,932,117</u>
Change in net assets	<u>\$ 93,899</u>	<u>\$ 623,813</u>