

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

FINANCIAL STATEMENTS  
AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

SEPTEMBER 30, 2003



WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS

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*TAIT, WELLER & BAKER*  
*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, 2003, and the related statements of activities and changes in net assets and of cash flows 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 2002 financial statements and, in our report dated January 9, 2003, 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, 2003, and the results of its operations, changes in its net assets and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



**Philadelphia, Pennsylvania  
January 8, 2004**

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

**STATEMENT OF FINANCIAL POSITION**

Year ended September 30, 2003 with comparative totals for 2002

<b>ASSETS</b>	<u>2003</u>	<u>2002</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 3,364,652	\$ 2,731,514
Restricted cash	471,345	279,474
Investments, at market <b>(Note 2)</b>	894,942	2,362,493
Receivables:		
Grants	1,687,496	2,814,815
Pledges <b>(Note 3)</b>	863,466	-
Other	380,889	374,345
Micro-enterprise and other loans – net <b>(Note 4)</b>	6,968,788	5,378,454
Prepaid expenses and other assets	<u>423,821</u>	<u>500,546</u>
<b>Total current assets</b>	<u>15,055,399</u>	<u>14,441,641</u>
Pledges receivable <b>(Note 3)</b>	685,226	-
Plant and equipment – net of accumulated depreciation <b>(Note 5)</b>	<u>5,547,470</u>	<u>6,364,789</u>
	6,232,696	6,364,789
<b>Total assets</b>	<u><u>\$ 21,288,095</u></u>	<u><u>\$ 20,806,430</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 3,739,615	\$ 3,957,090
Deferred revenue	669,702	503,557
Current portion of debt <b>(Note 6)</b>	<u>914,567</u>	<u>1,804,574</u>
<b>Total current liabilities</b>	5,323,884	6,265,221
<b>LONG-TERM DEBT</b> , net of current portion <b>(Note 6)</b>	<u>2,016,024</u>	<u>1,940,094</u>
<b>Total liabilities</b>	<u>7,339,908</u>	<u>8,205,315</u>
<b>NET ASSETS</b>		
Unrestricted		
Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding	1,000	1,000
Net assets	<u>10,542,899</u>	<u>7,650,787</u>
<b>Total unrestricted net assets</b>	10,543,899	7,651,787
Temporarily restricted net assets <b>(Note 7)</b>	<u>3,404,288</u>	<u>4,949,328</u>
<b>Total net assets</b>	<u>13,948,187</u>	<u>12,601,115</u>
	<u><u>\$21,288,095</u></u>	<u><u>\$20,806,430</u></u>

The accompanying notes are an integral part of this statement.

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

**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**

Year ended September 30, 2003 with comparative totals for 2002

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2003 Total</u>	<u>2002 Total</u>
<b>Support and Revenue</b>				
Contributions and non-government grants	\$ 6,388,120	\$ 9,252,766	\$15,640,886	\$14,949,947
Government grants	16,307,034	-	16,307,034	17,098,563
Other revenue	6,453,643	-	6,453,643	4,500,326
Net assets released from restrictions <b>(Note 7)</b>	<u>10,797,806</u>	<u>(10,797,806)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue</b>	<u>39,946,603</u>	<u>(1,545,040)</u>	<u>38,401,563</u>	<u>36,548,836</u>
<b>Expenses (Note 9)</b>				
Program Ministries				
Emergency Relief	2,983,000	-	2,983,000	2,470,808
Post-Disaster Rehabilitation	2,003,342	-	2,003,342	2,533,824
AIDS	1,600,637	-	1,600,637	949,520
Maternal and child health	1,472,042	-	1,472,042	1,470,739
Community banking	4,473,635	-	4,473,635	3,291,586
Food security	1,831,225	-	1,831,225	2,729,241
Child development	638,711	-	638,711	639,151
Immigration and urban ministries	3,157,028	-	3,157,028	1,632,534
Refugee care	<u>12,245,860</u>	<u>-</u>	<u>12,245,860</u>	<u>13,616,181</u>
<b>Total program ministries</b>	<u>30,405,480</u>	<u>-</u>	<u>30,405,480</u>	<u>29,333,584</u>
Support Ministries				
General and administrative	4,093,648	-	4,093,648	4,466,369
Fundraising	<u>2,555,363</u>	<u>-</u>	<u>2,555,363</u>	<u>2,501,293</u>
<b>Total support ministries</b>	<u>6,649,011</u>	<u>-</u>	<u>6,649,011</u>	<u>6,967,662</u>
<b>Total expenses</b>	<u>37,054,491</u>	<u>-</u>	<u>37,054,491</u>	<u>36,301,246</u>
<b>Excess revenue over expenses</b>	2,892,112	(1,545,040)	1,347,072	247,590
<b>Other Changes</b>				
Loans issued in prior year which were previously expensed	-	-	-	1,501,055
Loans received from U.S. Government	<u>-</u>	<u>-</u>	<u>-</u>	<u>552,983</u>
<b>Change in net assets</b>	2,892,112	(1,545,040)	1,347,072	2,301,628
<b>Net Assets</b>				
Beginning of year	<u>7,651,787</u>	<u>4,949,328</u>	<u>12,601,115</u>	<u>10,299,487</u>
<b>End of year</b>	<u>\$10,543,899</u>	<u>\$ 3,404,288</u>	<u>\$13,948,187</u>	<u>\$12,601,115</u>

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

**STATEMENT OF CASH FLOWS**

Year ended September 30, 2003 with comparative totals for 2002

	<u>2003</u>	<u>2002</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Changes in net assets</i>	\$ 1,347,072	\$ 2,301,628
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	1,043,287	1,296,977
Gain on disposal of fixed assets	(2,603)	(10,822)
Donation of securities	(35,531)	(167,967)
Net realized and unrealized loss (gain) on investments	77,368	(128,969)
Loans issued in prior year which were previously expensed	-	(1,501,055)
Loans received from U.S. Government	-	(552,983)
(Increase) decrease in		
Receivables	(427,917)	(231,436)
Micro-enterprise loans	(1,590,334)	(1,417,843)
Prepaid expenses and other assets	76,725	296,107
Increase (decrease) in		
Accounts payable and accrued liabilities	(217,475)	(464,740)
Advances	166,145	(104,769)
<b>Net cash provided by (used for) operating activities</b>	<u>436,737</u>	<u>(685,872)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase and sale of investments, net	1,425,714	1,598
Capital expenditures	(223,365)	(574,996)
<b>Net cash provided by (used for) investing activities</b>	<u>1,202,349</u>	<u>(573,398)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from lines of credit and notes payable	-	788,000
Repayments of lines of credit and notes payable	(814,077)	(1,195,011)
<b>Net cash used for financing activities</b>	<u>(814,077)</u>	<u>(407,011)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	825,009	(1,666,281)
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Beginning	<u>3,010,988</u>	<u>4,677,269</u>
Ending	<u>\$ 3,835,997</u>	<u>\$ 3,010,988</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 194,483</u>	<u>\$ 159,102</u>

World Relief received \$35,531 and \$167,967 in donated securities as contributions during the years ended September 30, 2003 and 2002, respectively.

WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS

**STATEMENT OF FUNCTIONAL EXPENSES**

Year ended September 30, 2003 with comparative totals for 2002

	Program Ministries						
	Emergency Relief	Post-Disaster Rehabilitation	AIDS	Maternal And Child Health	Community Banking	Food Security	Child Development
<b>Operating Costs</b>							
Salaries and benefits	\$ 94,269	\$ -	\$ -	\$ 184,032	\$ 370,468	\$ -	\$ -
Travel and business meetings	1,294	-	-	-	25,249	-	-
Other operating expenses	4,319	-	-	1,134	87,691	-	-
<b>Total operating costs</b>	<u>99,882</u>	<u>-</u>	<u>-</u>	<u>185,166</u>	<u>483,408</u>	<u>-</u>	<u>-</u>
<b>Project Services</b>							
<b>Africa</b>							
Salaries and benefits	274,613	395,346	616,907	461,765	1,164,785	14,440	72,420
Travel and business meetings	102,379	120,412	106,410	42,201	153,306	9,156	3,914
General office expenses	227,074	221,447	312,224	141,246	657,648	14,035	19,601
Grants and specific assistance	605,675	260,730	133,666	161,123	118,880	22	225
Program resources	956,973	663,355	332,175	127,647	433,313	36,225	11,487
<b>Total Africa projects</b>	<u>2,166,714</u>	<u>1,661,290</u>	<u>1,501,382</u>	<u>933,982</u>	<u>2,527,932</u>	<u>73,878</u>	<u>107,647</u>
<b>Asia</b>							
Salaries and benefits	77,690	12,428	4,308	198,695	388,867	-	308,549
Travel and business meetings	11,792	2,302	78	15,456	20,904	-	21,566
General office expenses	45,764	3,496	3,678	46,025	202,284	-	68,774
Grants and specific assistance	225,704	8,511	290	25,032	128,018	-	81,916
Program resources	570	8,405	3,315	21,383	132,892	-	41,824
<b>Total Asia projects</b>	<u>361,520</u>	<u>35,142</u>	<u>11,669</u>	<u>306,591</u>	<u>872,965</u>	<u>-</u>	<u>522,629</u>
<b>Latin America</b>							
Salaries and benefits	-	50,247	36,658	18,831	62,756	541,692	-
Travel and business meetings	-	122	2,128	1,223	1,973	7,753	-
General office expenses	-	3,241	23,222	6,670	20,680	124,832	-
Grants and specific assistance	-	9,084	2,651	2,207	34,439	186,792	-
Program resources	42,707	774	22,927	17,372	11,420	896,278	8,435
<b>Total Latin America projects</b>	<u>42,707</u>	<u>63,468</u>	<u>87,586</u>	<u>46,303</u>	<u>131,268</u>	<u>1,757,347</u>	<u>8,435</u>
<b>United States</b>							
Salaries and benefits	-	-	-	-	-	-	-
Travel and business meetings	651	-	-	-	-	-	-
General office expenses	7,500	-	-	-	-	-	-
Grants and specific assistance	168,454	-	-	-	-	-	-
<b>Total United States projects</b>	<u>176,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Europe and other</b>							
Salaries and benefits	47,452	98,891	-	-	210,600	-	-
Travel and business meetings	37,685	4,415	-	-	10,306	-	-
General office expenses	10,435	41,651	-	-	125,724	-	-
Grants and specific assistance	40,000	98,485	-	-	111,432	-	-
<b>Total Europe and other projects</b>	<u>135,572</u>	<u>243,442</u>	<u>-</u>	<u>-</u>	<u>458,062</u>	<u>-</u>	<u>-</u>
<b>Total project services</b>	<u>2,883,118</u>	<u>2,003,342</u>	<u>1,600,637</u>	<u>1,286,876</u>	<u>3,990,227</u>	<u>1,831,225</u>	<u>638,711</u>
<b>Total functional expenses</b>	<u>\$ 2,983,000</u>	<u>\$ 2,003,342</u>	<u>\$ 1,600,637</u>	<u>\$ 1,472,042</u>	<u>\$ 4,473,635</u>	<u>\$ 1,831,225</u>	<u>\$ 638,711</u>

**Supporting Ministries**

**Total Expenses**

Immigration And Urban Ministries	Refugee Care	Supporting Ministries				Total Expenses			
		2003 Total	2002 Comparative Total	General And Administrative	Fundraising	2003 Total	2002 Comparative Total	2003 Total	2002 Comparative Total
\$ -	\$ -	\$ 648,769	\$ 828,573	\$ 2,389,361	\$ 1,388,208	\$ 3,777,569	\$ 3,535,391	\$ 4,426,338	\$ 4,363,964
-	-	26,543	85,233	199,909	199,336	399,245	306,929	425,788	392,162
-	-	93,144	225,330	1,504,378	967,819	2,472,197	3,125,342	2,565,341	3,350,672
-	-	768,456	1,139,136	4,093,648	2,555,363	6,649,011	6,967,662	7,417,467	8,106,798
-	-	3,000,276	2,299,326	-	-	-	-	3,000,276	2,299,326
-	-	537,778	437,196	-	-	-	-	537,778	437,196
-	-	1,593,275	1,635,145	-	-	-	-	1,593,275	1,635,145
-	-	1,280,321	364,526	-	-	-	-	1,280,321	364,526
-	-	2,561,175	780,841	-	-	-	-	2,561,175	780,841
-	-	8,972,825	5,517,034	-	-	-	-	8,972,825	5,517,034
-	-	990,537	1,011,319	-	-	-	-	990,537	1,011,319
-	-	72,098	149,680	-	-	-	-	72,098	149,680
-	-	370,021	613,341	-	-	-	-	370,021	613,341
-	-	469,471	462,230	-	-	-	-	469,471	462,230
-	-	208,389	1,421,581	-	-	-	-	208,389	1,421,581
-	-	2,110,516	3,658,151	-	-	-	-	2,110,516	3,658,151
-	-	710,184	952,722	-	-	-	-	710,184	952,722
-	-	13,199	187,528	-	-	-	-	13,199	187,528
-	-	178,645	373,722	-	-	-	-	178,645	373,722
-	-	235,173	723,567	-	-	-	-	235,173	723,567
-	-	999,913	1,313,712	-	-	-	-	999,913	1,313,712
-	-	2,137,114	3,551,251	-	-	-	-	2,137,114	3,551,251
1,385,882	6,760,725	8,146,607	7,871,012	-	-	-	-	8,146,607	7,871,012
39,517	226,315	266,483	261,648	-	-	-	-	266,483	261,648
239,748	1,172,264	1,419,512	1,768,478	-	-	-	-	1,419,512	1,768,478
1,491,881	4,086,556	5,746,891	5,027,601	-	-	-	-	5,746,891	5,027,601
3,157,028	12,245,860	15,579,493	14,928,739	-	-	-	-	15,579,493	14,928,739
-	-	356,943	288,458	-	-	-	-	356,943	288,458
-	-	52,406	36,597	-	-	-	-	52,406	36,597
-	-	177,810	51,513	-	-	-	-	177,810	51,513
-	-	249,917	162,705	-	-	-	-	249,917	162,705
-	-	837,076	539,273	-	-	-	-	837,076	539,273
3,157,028	12,245,860	29,637,024	28,194,448	-	-	-	-	29,637,024	28,194,448
<u>\$ 3,157,028</u>	<u>\$ 12,245,860</u>	<u>\$ 30,405,480</u>	<u>\$ 29,333,584</u>	<u>\$ 4,093,648</u>	<u>\$ 2,555,363</u>	<u>\$ 6,649,011</u>	<u>\$ 6,967,662</u>	<u>\$ 37,054,491</u>	<u>\$ 36,301,246</u>

The accompanying notes are an integral part of this statement.

WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS

**NOTES TO FINANCIAL STATEMENTS**

September 30, 2003 and 2002

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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.

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.

**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 RISK**

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 numerous foreign branch offices. 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, 2003 and 2002, was to (decrease) increase net assets by \$(26,584) and \$114,174, 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.

**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 \$11,060,865 and \$10,156,572 as of September 30, 2003 and 2002, respectively. Management did not transfer any net assets to independent entities during fiscal years 2003 or 2002.

WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS

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

September 30, 2003 and 2002

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**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).

**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.”**

**GIFTS IN-KIND AND VOLUNTARY SERVICES**

World Relief provides, or makes available, goods and voluntary services to resettled refugees. These resources and services are provided by refugee sponsors, churches, individuals and organizations. Sponsor resources provided directly to refugees have a significant impact on making the refugee resettlement program an effective ministry; however, only the value of in-kind contributions made to World Relief are included in the financial statements.

**U.S. GOVERNMENT GRANTS**

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

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

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

September 30, 2003 and 2002

**GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses include expenses for certain program staff who support program activities but are not allocated to specific projects.

**RECLASSIFICATIONS**

Certain reclassifications have been made to the 2002 financial statements to conform to 2003 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, 2002, from which the summarized information was derived.

**(2) INVESTMENTS**

At September 30, 2003 and 2002, investments consisted of the following:

	2003		2002	
	Cost	Market	Cost	Market
Common Stock *	\$ 3,184	\$ 3,260	\$ 1,004,338	\$ 1,004,338
Mutual Funds	839,363	827,688	1,274,147	1,297,138
Certificates of Deposit	63,994	63,994	61,017	61,017
	\$ 906,541	\$ 894,942	\$ 2,339,502	\$ 2,362,493

At September 30, 2003 and 2002, investments had unrealized (losses) gains of \$(11,599) and \$22,991, respectively.

\*2002 Includes an investment in non-public common stock valued at \$1,000,000.

The following summarizes the investment return for the year ended September 30, 2003 and 2002:

	2003	2002
Net investment income	\$ 16,329	\$ 77,402
Net realized loss	(33,103)	(57,190)
Net unrealized loss	(44,265)	128,969
	\$ (61,039)	\$ 149,181

WORLD RELIEF CORPORATION OF  
NATIONAL ASSOCIATION OF EVANGELICALS

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

September 30, 2003 and 2002

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**(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, 2003 are expected to be realized as follows:

In one year or less	\$ 863,466
In one to five years	<u>760,000</u>
	1,623,466
Less discount at 4.0% to present value	<u>74,774</u>
Net contributions receivable	<u>\$ 1,548,692</u>

**(4) MICRO-ENTERPRISE AND OTHER LOANS**

World Relief has the following loans receivable at September 30:

	<u>2003</u>	<u>2002</u>
Micro-enterprise loans (net of allowance of \$181,356 in 2003 and \$196,758 in 2002)	\$ 3,776,633	\$ 2,641,843
Agricultural loans (net of allowance of \$169,316 in 2003 and \$23,613 in 2002)	<u>3,192,155</u>	<u>2,736,611</u>
	<u>\$ 6,968,788</u>	<u>\$ 5,378,454</u>

The purpose of the micro-enterprise 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 micro-enterprise 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 World Relief and can be applied towards balances in default, was \$619,141 and \$419,939, as of September 30, 2003 and 2002, respectively, and is recorded in accounts payable and accrued liabilities in the accompanying financial statements.

**WORLD RELIEF CORPORATION OF  
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**NOTES TO FINANCIAL STATEMENTS – (Continued)**

September 30, 2003 and 2002

**(5) PLANT AND EQUIPMENT**

	<u>2003</u>	<u>2002</u>
The cost of such assets are as follows:		
Land	\$ 227,587	\$ 227,587
Buildings	2,735,529	2,723,818
Computers, office and other equipment	4,342,134	4,334,539
Vehicles	<u>3,255,637</u>	<u>3,170,772</u>
	10,560,887	10,456,716
Less: accumulated depreciation	<u>5,013,417</u>	<u>4,091,927</u>
Net value	<u>\$ 5,547,470</u>	<u>\$ 6,364,789</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, 2003 and 2002, the escrow deposit was \$471,345 and \$279,474, 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 will be amortized on a straight-line basis over the life of the lease. At September 30, 2003 and 2002, prepaid rent was \$248,575 and \$296,671, respectively.

**(6) DEBT**

	<u>2003</u>	<u>2002</u>
A summary of long-term debt is as follows:		
\$1,500,000 term loan bearing interest at the financial institution's 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 including a covenant to maintain tangible net assets of at least \$10,000,000. The bank defines tangible net assets as total assets less total liabilities less restricted cash. This agreement is secured by a first mortgage on the property.	\$ 1,500,000 <sup>(a)</sup>	\$ -
\$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.	540,868	-

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

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

September 30, 2003 and 2002

	<u>2003</u>	<u>2002</u>
<p>\$5,000,000 declining credit agreement bearing interest at the lower of the bank's prime rate or LIBOR plus 2.50% expiring March 31, 2004. The interest rate at September 30, 2002 was 4.32%. The use of proceeds under this credit line was limited to certain expenses, as defined in the credit agreement, related to the relocation to Baltimore, Maryland. In accordance with the terms of the credit agreement, World Relief must reduce the outstanding balance to \$3,000,000 by April 1, 2002 and \$1,500,000 by April 1, 2003. This loan was refinanced by the two loans above. This agreement was secured by substantially all the assets of World Relief.</p>	-	2,760,868
<p>Revolving line of credit bearing interest at the lower of prime rate or LIBOR plus 2.75% expiring February 28, 2004. The interest rate at September 30, 2003 and 2002 was 3.87% and 4.56%, respectively. This line originally had an available balance of \$500,000. The available limit was increased to \$1,000,000 on March 1, 2003 as part of a refinancing with the lender. This line of credit is secured by substantially all assets of World Relief and expires March 1, 2004.</p>	450,000	500,000
<p>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 on the second loan is accrued, but deferred along with the principal for three years at which time the interest and principal are payable in full on a pro-rated amount based on the number of new jobs, if any, created by World Relief.</p>	229,801	241,455
<p>Note payable with a bank in monthly installments of \$2,100 with an interest rate of 6.75%. All principal and accrued interest is due and payable on August 31, 2006. The note is subject to certain financial covenants and is secured by a mortgage on land and a building in Atlanta, Georgia.</p>	209,922	220,366
<p>Line of credit expiring April 25, 2003 with an interest rate at 5.25% at the payoff date and 5.75% for 2002, respectively. This line of credit was unsecured.</p>	-	21,979
	<u>2,930,591</u>	<u>3,744,668</u>
Less: Current Portion	<u>914,567</u>	<u>1,804,574</u>
	<u>\$ 2,016,024</u>	<u>\$ 1,940,094</u>

- (a) As part of the debt refinancing, World Relief entered into an interest rate swap agreement 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, 2003, 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, 2003 and 2002**

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

2004	\$ 914,567
2005	247,403
2006	224,652
2007	145,942
2008 and thereafter	<u>1,398,027</u>
	<u>\$ 2,930,591</u>

Interest expense for the years ended September 30, 2003 and 2002 was \$149,535 and \$159,102, respectively.

**(7) NET ASSETS**

Temporarily restricted net assets at September 30, 2003 and 2002 are available for the following purposes:

	<u>2003</u>	<u>2002</u>
Emergency Relief	\$ 616,605	\$ 866,111
Post-Disaster Rehabilitation	64,685	879,688
AIDS	167,400	220,599
Maternal and Child Health	-	126,063
Community Banking	35,978	99,499
Food Security	36,859	25,487
Child Development	298,697	402,814
Immigration and Urban Ministries	106,950	116,991
Refugee Care	528,422	1,395,122
Use in future periods – contributions	<u>1,548,692</u>	<u>-</u>
	3,404,288	4,132,374
Available for various purposes	-	816,954
	<u>\$ 3,404,288</u>	<u>\$ 4,949,328</u>

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

Purposes restrictions accomplished:

Emergency Relief	\$ 2,971,478
Post-Disaster Rehabilitation	1,540,933
AIDS	1,657,445
Maternal and Child Health	482,500
Community Banking	2,058,845
Food Security	385,203
Child Development	586,135
Immigration and Urban Ministries	10,040
Refugee Care	<u>1,105,227</u>
	<u>\$10,797,806</u>

WORLD RELIEF CORPORATION OF  
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**NOTES TO FINANCIAL STATEMENTS – (Continued)**

September 30, 2003 and 2002

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**(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 2003 and 2002, 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 \$597,400 and \$592,400 for the years ended September 30, 2003 and 2002, respectively.

**(9) 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.

**(10) COMMITMENTS AND CONTINGENCIES**

**COMMITMENTS**

World Relief incurred approximately \$712,000 and \$989,000 of expenses related to operating leases for the years ending September 30, 2003 and 2002, respectively.

Future minimum payments under these leases which are in excess of one year as of September 30, 2003, were as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2004	\$ 232,000
2005	117,000
2006	112,000
2007	106,000
2008	107,000
	<u>\$ 674,000</u>

**CONTINGENCIES**

World Relief receives grant funds, principally from the United States Government, for various programs. Certain expenditures of these funds are subject to audit by the grantors, and World Relief is contingently liable to refund amounts received in excess of allowable expenditures or amounts spent for unallowable purposes. Management believes there are no material instances of noncompliance or any non-allowable cost and, accordingly, they believe that no refund is required as of September 30, 2003.

**WORLD RELIEF**



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