

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

***CONSOLIDATED FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

**SEPTEMBER 30, 2018**

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

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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 consolidated financial statements of World Relief Corporation of National Association of Evangelicals ("World Relief") which comprise the consolidated statement of financial position as of September 30, 2018, and the related consolidated statements of activities and changes in net assets, and of cash flows for the year then ended and the related notes to the consolidated financial statements.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 consolidated financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Relief as of September 30, 2018, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited World Relief's 2017 consolidated financial statements and our report dated March 28, 2018 expressed an unqualified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
April 17, 2019**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**September 30, 2018 And 2017**

<b>ASSETS</b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Cash and cash equivalents	\$ 10,346,915	\$ 8,594,680
Investments, at market <i>(Note 2)</i>	694,328	663,537
Receivables:		
Grants	4,617,505	4,463,775
Contributions <i>(Note 4)</i>	815,368	1,200,000
Other	592,424	555,226
Microenterprise and agricultural loans – net <i>(Note 5)</i>	2,439,141	2,857,070
Prepaid expenses and other assets	914,781	913,698
Minority interest in net assets <i>(Note 6)</i>	667,976	7,353,244
Plant and equipment – held for sale	200,000	297,651
Plant and equipment – net of accumulated depreciation <i>(Note 7)</i>	<u>4,210,921</u>	<u>4,105,577</u>
<b>Total assets</b>	<b><u>\$ 25,499,359</u></b>	<b><u>\$ 31,004,458</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 4,702,054	\$ 5,905,702
Deferred revenue	52,824	480,282
Long-term debt <i>(Note 8)</i> :		
General	1,215,733	3,388,325
Microenterprise/Agricultural development	1,847,510	1,475,428
Other liabilities	<u>678,552</u>	<u>614,678</u>
<b>Total liabilities</b>	<b><u>8,496,673</u></b>	<b><u>11,864,415</u></b>
Net Assets		
Unrestricted <i>(Note 9)</i>		
Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding	1,000	1,000
Non-controlling interest	644,000	761,214
Net assets	<u>11,446,348</u>	<u>13,989,325</u>
<b>Total unrestricted net assets</b>	<b>12,091,348</b>	<b>14,751,539</b>
Temporarily restricted net assets <i>(Note 9)</i>	<u>4,911,338</u>	<u>4,388,504</u>
<b>Total net assets</b>	<b><u>17,002,686</u></b>	<b><u>19,140,043</u></b>
	<b><u>\$ 25,499,359</u></b>	<b><u>\$ 31,004,458</u></b>

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

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

**Year Ended September 30, 2018 With Summarized Information For 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018 Total</u>	<u>2017 Total</u>
<b>Support and Revenue</b>				
Private contributions	\$ 4,782,017	\$ 14,740,341	\$ 19,522,358	\$ 21,339,642
Government and other public grants	41,313,062	—	41,313,062	51,063,380
MED banking revenue	990,013	—	990,013	988,818
Other revenue	4,937,159	—	4,937,159	5,802,478
Net assets released from restrictions <i>(Note 9)</i>	<u>14,217,507</u>	<u>(14,217,507)</u>	<u>—</u>	<u>—</u>
<b>Total support and revenue <i>(Note 13)</i></b>	<u>66,239,758</u>	<u>522,834</u>	<u>66,762,592</u>	<u>79,194,318</u>
<b>Expenses</b>				
Program ministries				
USA programs	29,110,351	—	29,110,351	39,350,399
Overseas programs	22,737,250	—	22,737,250	21,490,955
Disaster response	<u>4,488,478</u>	<u>—</u>	<u>4,488,478</u>	<u>4,254,277</u>
<b>Total program ministries</b>	<u>56,336,079</u>	<u>—</u>	<u>56,336,079</u>	<u>65,095,631</u>
Support Ministries				
General and administrative	7,384,363	—	7,384,363	8,066,719
Fundraising	<u>5,065,556</u>	<u>—</u>	<u>5,065,556</u>	<u>4,895,120</u>
<b>Total support ministries</b>	<u>12,449,919</u>	<u>—</u>	<u>12,449,919</u>	<u>12,961,839</u>
<b>Total expenses</b>	<u>68,785,998</u>	<u>—</u>	<u>68,785,998</u>	<u>78,057,470</u>
<b>Excess of revenue over expenses</b>	(2,546,240)	522,834	(2,023,406)	1,136,848
<b>Other Changes</b>				
Loss on minority interest in net assets, net	(50,817)	—	(50,817)	(24,388)
Gain (loss) on sale of fixed assets	49,517	—	49,517	321,222
Loss on impairment of asset held for sale	(112,651)	—	(112,651)	—
Issuance of capital in consolidated MFI	<u>—</u>	<u>—</u>	<u>—</u>	<u>509,200</u>
<b>Change in net assets</b>	(2,660,191)	522,834	(2,137,357)	1,942,882
<b>Net Assets</b>				
Beginning of year	<u>14,751,539</u>	<u>4,388,504</u>	<u>19,140,043</u>	<u>17,197,161</u>
<b>End of year</b>	<u>\$ 12,091,348</u>	<u>\$ 4,911,338</u>	<u>\$ 17,002,686</u>	<u>\$ 19,140,043</u>

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

***CONSOLIDATED STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS***

***Years Ended September 30, 2018 And 2017***

	<b><u>Unrestricted World Relief</u></b>	<b><u>Unrestricted – Non-Controlling Interest In Microfinance Entities</u></b>	<b><u>Total</u></b>
Unrestricted net assets, September 30, 2016	\$14,258,471	\$ 13,290	\$14,271,761
Issuance of capital in consolidated MFI	—	509,200	509,200
Discount on capital issued in consolidated MFI	(225,975)	225,975	—
Change in unrestricted net assets	<u>(42,171)</u>	<u>12,749</u>	<u>(29,422)</u>
Unrestricted net assets, September 30, 2017	13,990,325	761,214	14,751,539
Change in unrestricted net assets	<u>(2,542,977)</u>	<u>(117,214)</u>	<u>(2,660,191)</u>
Unrestricted net assets, September 30, 2018	<u>\$11,447,348</u>	<u>\$ 644,000</u>	<u>\$12,091,348</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years Ended September 30, 2018 And 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Changes in net assets</i>	\$ (2,137,357)	\$ 1,942,882
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	562,469	582,234
Gain on disposal of fixed assets	(49,517)	(321,222)
Bad debt expense	(27,145)	403,006
Unrealized gain on foreign exchange rates	(189,728)	(47,851)
Loss on impairment of asset held for sale	112,651	—
Equity loss on investment in microfinance institution	50,817	24,388
(Increase) decrease in		
Receivables	295,296	695,522
Prepaid expenses and other assets	(1,083)	(353,492)
Increase (decrease) in		
Accounts payable and accrued liabilities	(453,648)	644,230
Deferred revenue	<u>(427,458)</u>	<u>(222,703)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>(2,264,703)</u>	<u>3,346,994</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments, net	(30,791)	(411,841)
Proceeds from sale of fixed assets	89,711	506,588
Purchases of fixed assets	(725,871)	(687,152)
Proceeds from sale of minority interest in net assets	5,884,451	—
Net change in microenterprise and agricultural activities:		
Loans	461,824	(1,254,732)
Other liabilities	<u>63,874</u>	<u>(100,452)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>5,743,198</u>	<u>(1,947,589)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from lines of credit and notes payable	1,352,214	705,183
Repayments of lines of credit and notes payable	<u>(3,078,474)</u>	<u>(726,182)</u>
<b>Net cash used in financing activities</b>	<u>(1,726,260)</u>	<u>(20,999)</u>
<b>Net increase in cash and cash equivalents</b>	1,752,235	1,378,406
<b>CASH, CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the year	<u>8,594,680</u>	<u>7,216,274</u>
Cash and cash equivalents at the end of the year	<u>\$ 10,346,915</u>	<u>\$ 8,594,680</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 141,915</u>	<u>\$ 87,521</u>

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended September 30, 2018 With Summarized Information For 2017**

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2018 Total	2017 Comparative Total	General And Administrative	Fundraising	2018 Total	2017 Comparative Total	2018 Total	2017 Comparative Total
Salaries and Related Expenses	\$ 14,130,280	\$ 6,494,163	\$ 1,241,860	\$ 21,866,303	\$ 22,801,074	\$ 4,276,393	\$ 2,406,430	\$ 6,682,823	\$ 6,130,584	\$ 28,549,126	\$ 28,931,658
Personnel Benefits	3,565,154	1,616,617	263,142	5,444,913	6,467,545	932,960	566,746	1,499,706	1,611,268	6,944,619	8,078,813
Travel	428,740	1,477,530	186,506	2,092,776	2,353,934	359,266	422,114	781,380	808,203	2,874,156	3,162,137
Board Expenses	—	—	—	—	—	14,354	—	14,354	14,375	14,354	14,375
Communications and Printing	345,632	430,847	31,200	807,679	868,173	68,882	393,704	462,586	466,319	1,270,265	1,334,492
Office Expenses	499,086	367,981	56,621	923,688	1,048,429	57,184	88,828	146,012	192,842	1,069,700	1,241,271
Equipment Costs	268,281	916,674	236,812	1,421,767	1,516,488	23,020	54,883	77,903	114,150	1,499,670	1,630,638
Personnel Expenses	173,256	374,228	64,721	612,205	662,886	124,036	53,887	177,923	238,793	790,128	901,679
Consulting and Professional Fees	786,212	612,015	188,480	1,586,707	1,613,013	315,139	805,692	1,120,831	1,333,511	2,707,538	2,946,524
Computer Expense	182,219	19,966	10,086	212,271	211,365	58,485	119,182	177,667	238,074	389,938	449,439
Books and Subscriptions	45,061	3,085	—	48,146	54,147	12,605	14,350	26,955	37,855	75,101	92,002
Property and Liability Insurance	153,396	—	—	153,396	130,358	314,648	—	314,648	430,557	468,044	560,915
Interest Expense	—	73,509	—	73,509	37,556	65,682	2,724	68,406	49,965	141,915	87,521
Foreign Exchange	—	(74,080)	(95,167)	(169,247)	(40,262)	(20,481)	—	(20,481)	(7,590)	(189,728)	(47,852)
Depreciation and Amortization	—	162,868	1,086	163,954	174,380	398,515	—	398,515	407,854	562,469	582,234
Bad Debt Expense	190	(14,737)	—	(14,547)	63,828	(12,397)	(200)	(12,597)	339,178	(27,144)	403,006
Occupancy Costs	1,388,759	616,629	162,835	2,168,223	2,239,157	207,041	62,727	269,768	207,771	2,437,991	2,446,928
Other Expenses	107,488	252,698	12,641	372,827	334,637	119,092	66,925	186,017	335,688	558,844	670,325
Microfinance related	—	30,355	—	30,355	722,772	—	—	—	—	30,355	722,772
Initial Refugee Grants	2,656,705	—	—	2,656,705	6,635,113	17,994	—	17,994	—	2,674,699	6,635,113
Other Grants & Specific Assistance	3,388,417	3,862,568	500,288	7,751,273	9,759,474	39,404	—	39,404	841	7,790,677	9,760,315
Other Program Costs	5,976	5,448,513	1,558,070	7,012,559	5,654,760	3	89	92	2,430	7,012,651	5,657,190
Strategic Partnership	—	56,258	26,357	82,615	139,714	12,538	7,475	20,013	9,171	102,628	148,885
Gifts-in-kind	985,499	9,563	42,940	1,038,002	1,647,090	—	—	—	—	1,038,002	1,647,090
<b>Total Expenses</b>	<b>\$ 29,110,351</b>	<b>\$ 22,737,250</b>	<b>\$ 4,488,478</b>	<b>\$ 56,336,079</b>	<b>\$ 65,095,631</b>	<b>\$ 7,384,363</b>	<b>\$ 5,065,556</b>	<b>\$ 12,449,919</b>	<b>\$ 12,961,839</b>	<b>\$ 68,785,998</b>	<b>\$ 78,057,470</b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2018 And 2017

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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, global charitable organization that seeks to overcome violence, poverty and injustice. Through love in action, we bring hope, healing and restoration to millions of the world's most vulnerable women, men and children through vital and sustainable programs in disaster response, health and child development, economic development and peacebuilding, as well as refugee and immigration services in the U.S. For 75 years, we've partnered with churches and communities, currently across more than 20 countries, to provide relief from suffering and help people rebuild their lives.

World Relief is a wholly owned subsidiary of The National Association of Evangelicals, a not-for-profit religious organization. The consolidated financial statements include the activity of a microenterprise entity in the Democratic Republic of Congo (Hekima) in which World Relief is a 59.28% owner.

Additionally, World Relief entered into a board-approved significant strategic partnership with its Europe-based counterpart World Relief Germany (formerly Partner Aid). This collaboration has realized an expansion of World Relief's programmatic reach.

#### **PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of World Relief and one majority owned microenterprise entity. Non-controlling interest in this microenterprise entity is recorded and included in net assets. Substantially all intercompany accounts and transactions have been eliminated.

#### **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 \$7.3 million and \$5.1 million, for the years ended September 30, 2018 and 2017, respectively, including \$1.6 million and \$1.3 million in 2018 and 2017, respectively relating to a majority-owned microenterprise entity.

Loans receivable are in connection with World Relief's microenterprise development and agricultural activities (**See Note 6**). Although collateral in the form of land titles 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 CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

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

**September 30, 2018 And 2017**

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World Relief occasionally maintains deposits in excess of federally insured limits. The risk is managed by monitoring the financial institutions in which deposits are made. World Relief had approximately \$4.3 million and \$2.7 million of cash and cash equivalents held in foreign banking institutions as of September 30, 2018 and 2017. The funds held in foreign countries are uninsured.

### ***FOREIGN CURRENCY TRANSLATION***

World Relief has foreign branch offices in many countries. Assets and liabilities for these foreign branch offices and the majority-owned microenterprise entities 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 ended September 30, 2018 and 2017 was an increase to net assets of \$189,728 and \$47,851, 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.

The for-profit microenterprise entities included in the accompanying consolidated financial statements pay taxes in accordance with their respective country’s applicable rates and current tax expense is recorded for these amounts. Deferred tax assets and liabilities are recognized for the future consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and the related tax bases.

Management has reviewed the tax positions for each of the open tax years (years ended September 30, 2015 - 2017) or expected to be taken in World Relief’s September 30, 2018 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

### ***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. 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.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

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

September 30, 2018 And 2017

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### ***MICROENTERPRISE LOANS RECEIVABLE***

Loans receivable are carried at their estimated collectible amounts. Interest income on loans receivable is recognized using the interest method. Interest income on impaired loans is recognized as cash is collected or on a cost-recovery basis.

Loans receivable are periodically evaluated for collectibility based on past credit history with clients and their current financial condition. Provisions for losses on loans receivable are determined on the basis of loss experience, known and inherent risks in the loan portfolio, the estimated value of underlying collateral, and current economic conditions. Loans are written off when they remain unpaid six months after maturity date, or when, in management's judgment, there is no prospect of recovery after taking into account the realizable value of collateral, if any.

### ***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 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount at which the carrying value of the assets exceeds the estimated fair value. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less the costs to sell.

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 CONSOLIDATED FINANCIAL STATEMENTS – (Continued)*

September 30, 2018 And 2017

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

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

World Relief receives 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 was \$1,030,179 in 2018 and \$1,647,052 in 2017. 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 a majority 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. Approximately 100,000 people volunteered with World Relief in each of the years 2018 and 2017. 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.

#### ***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, 2017, from which the summarized information was derived.

#### ***RECLASSIFICATIONS***

Certain reclassifications were made to the 2017 financial statements to conform to the 2018 presentation.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2018 And 2017

### **ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED**

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of World Relief's financial statements, it is not expected to alter World Relief's reported financial position. World Relief will adopt the new ASU in its 2019 fiscal year.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), to improve the scope and the accounting guidance for contributions received and contributions made. The amendments will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of the Topic, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional which effects the timing of revenue recognition. The ASU is effective for private entities for fiscal years beginning after December 15, 2018. The ASU should be applied on a modified prospective basis, in the first set of financial statements following the effective date the amendments should be applied to agreements that are either not completed as of the effective date or entered into after the effective date. World Relief plans to adopt the new ASU at the required implementation date.

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. World Relief plans to adopt the new ASU at the required implementation date.

## (2) INVESTMENTS

At September 30, 2018 and 2017, investments consisted of the following:

### **MARKETABLE SECURITIES**

	2018		2017	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Certificates of deposit	\$ 694,328	\$ 694,328	\$ 655,758	\$ 655,758
Other investment	—	—	7,779	7,779
	<u>\$ 694,328</u>	<u>\$ 694,328</u>	<u>\$ 663,537</u>	<u>\$ 663,537</u>

Investment return amounted to \$7,943 in 2018 and \$44,762 in 2017 and is included in other revenue in the Statement of Activities.

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

**September 30, 2018 And 2017**

**(3) FAIR VALUE OF FINANCIAL INSTRUMENTS**

World Relief utilized various methods to measure the year-end value of its investments. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of inputs are described below:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that World Relief has the ability to access.

Level 2 – Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates and similar data.

Level 3 – Unobservable inputs for the asset or liability, to the extent relevant observable inputs are not available, representing World Relief’s own assumptions about the assumptions a market participant would use in valuing the asset or liability, and would be based on the best information available.

The inputs methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The summary of inputs used to value World Relief’s investments as of September 30, 2018 and 2017 are as follows:

	<u>2018</u>			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<b>Investments</b>				
Certificate of Deposit	\$694,328	\$ —	\$694,328	\$ —
	<u>2017</u>			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
<b>Investments</b>				
Certificate of Deposit	\$655,758	\$ —	\$655,758	\$ —
Other Investment	<u>7,779</u>	<u>—</u>	<u>—</u>	<u>7,779</u>
	<u>\$663,537</u>	<u>\$ —</u>	<u>\$655,758</u>	<u>\$7,779</u>

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

**September 30, 2018 And 2017**

The changes in investments measured at fair value for which World Relief used Level 3 inputs to determined fair value are as follow:

Balance, September 30, 2017	\$ 7,779
Sales / Redemptions	<u>(7,779)</u>
Balance, September 30, 2018	<u>\$ —</u>

**(4) CONTRIBUTIONS RECEIVABLE**

As of September 30, 2018 and 2017, contributors to World Relief have made unconditional promises to give as follows:

	<u>2018</u>	<u>2017</u>
Within one year	\$530,868	\$ 250,000
One to five years	<u>334,500</u>	<u>1,000,000</u>
Gross contributions receivable	865,368	1,250,000
Less: Present value discount	<u>50,000</u>	<u>50,000</u>
Total contributions receivable	<u>\$815,368</u>	<u>\$1,200,000</u>

**(5) MICROENTERPRISE LOANS RECEIVABLE**

World Relief operates microenterprise development activities through microfinance institutions. These community-based loan programs are designed to assist individuals without access to normal banking resources with loans for the development of small business enterprises. These loans consist of funds lent to entrepreneurial individuals, solidarity groups, and community banks for the purpose of furthering economic development in the communities served.

Microfinance loans receivable, net at September 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Microenterprise loans (net of allowance of \$170,591 in 2018 and \$99,880 in 2017)	<u>\$2,439,141</u>	<u>\$ 2,857,070</u>

A summary of the activity in the allowance for loan losses for the years ended September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Balance at beginning of year	\$ 99,880	\$ 55,740
Provision for loan losses	74,447	72,572
Loans written off	<u>(3,736)</u>	<u>(28,432)</u>
	<u>\$ 170,591</u>	<u>\$ 99,880</u>

Certain microenterprise loan programs have either a mandatory or a voluntary savings component. This savings requirement, which is retained by the local World Relief microfinance institution and can be applied towards balances in default, was \$678,552 and \$614,678, as of September 30, 2018 and 2017, respectively net of discontinued operations and is included in other liabilities in the Statement of Financial Position.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2018 And 2017

### RECEIVABLE - OTHER

Included in Receivable – Other on the Statement of Financial Position is World Relief’s beneficial interest in two trusts that were formed as a result of the bankruptcy of a former agricultural loan program partner. Assets of the trusts are primarily made up of land that is currently being marketed for sale. During the year ended September 30, 2017, World Relief wrote down the value of its interest by \$281,500 in connection with the trust committee’s decision to reduce the asking price of the properties held. As of September 30, 2018, and 2017, the value of World Relief’s interest in these two trusts was approximately \$499,000 and \$519,000, respectively.

### (6) MINORITY INTEREST IN NET ASSETS

Other investments represent World Relief’s investment in microfinance institutions. World Relief’s investment in Urwego Opportunity Bank (“**UOB**”), a for-profit bank extending services to the poor of Rwanda was 0.8% as of September 30, 2018 and 2017, and as such, is carried at cost. World Relief had a 24.1% investment ownership in KREDIT, a for-profit bank for the poor in Cambodia, until its sale in 2018. For the years ended September 30, 2018 and 2017, World Relief has a 44.3% investment ownership in Turame Community Bank (“**Turame**”), a for profit microfinance institution extending services to the poor of Burundi, and, as required, carries this investment using the equity method of accounting where World Relief records its share of Turame’s net profit or loss each period. The carrying amount of each investment at September 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
UOB	\$ 49,030	\$ 49,030
Turame Community Bank	618,946	669,763
KREDIT	<u>—</u>	<u>6,634,451</u>
	<u>\$ 667,976</u>	<u>\$7,353,244</u>

### (7) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2018</u>	<u>2017</u>
Land	\$ 26,668	\$ 26,670
Buildings	1,620,938	1,621,125
Work-in-progress	490,360	148,273
Computers, office and other equipment	4,781,345	4,728,963
Vehicles	<u>2,421,649</u>	<u>3,058,573</u>
	9,340,960	9,583,604
Less: accumulated depreciation	<u>5,130,039</u>	<u>5,478,027</u>
Net value	<u>\$4,210,921</u>	<u>\$4,105,577</u>

Subsequent to year end, World Relief entered into an agreement to sell a building in Mozambique for \$200,000. World Relief completed construction on this building during 2018. World Relief recorded an impairment loss on the building of \$112,651 during the year ended September 30, 2018.

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

**September 30, 2018 And 2017**

**(8) DEBT**

A summary of long-term debt is as follows:

	<u>2018</u>	<u>2017</u>
<b><u>General</u></b>		
\$1,598,000 term loan with a bank bearing interest at a rate of 3.42% payable in full by September 27, 2021. This term loan is secured by substantially all assets of World Relief and subject to certain financial covenants including minimum unrestricted net assets and assets coverage ratio. World Relief complies with such covenants as of September 30, 2018.	\$ 1,215,733	\$ 1,288,325
\$2,100,000 loan payable to an individual at 0% interest, payable 15 days following the sale of World Relief’s shares in KREDIT. If the shares are not sold by June 7, 2019, the lender will make an offer to acquire 11,810 shares of KREDIT for an amount not less than the amount loaned. During 2018, the loan was paid off with Proceeds from the sale of KREDIT.	—	2,100,000
Total General Debt	<u>1,215,733</u>	<u>3,388,325</u>
<b><u>Microenterprise/Agricultural Development</u></b>		
\$2,000,000 loan payable to an individual at 0% interest, payable in semi-annual installments of \$100,000 with a final payment due in March of 2020. This loan was used for lending to a local agricultural loan partner in Nicaragua. The loan receivable was restructured during 2016 (See Note 6).	300,000	500,000
\$250,000 loan payable to a foundation (an existing shareholder) at an interest rate of 7.7% on the outstanding balance. The loan is payable in one installment on November 23, 2018. The loan makes available to the lender the option to convert the outstanding loan balance into equity based on the book value per share as of the month-end preceding such conversion. The loan is subject to various financial covenants in which World Relief was in compliance with as of September 30, 2018. Subsequent to year-end, this loan was re-paid in full.	250,000	250,000
Loans payable to three lenders to make resources available to grow the microenterprise loan portfolio. These loans mature through fiscal year 2021 and have interest rates that range from 0% - 8%.	<u>1,297,510</u>	<u>725,428</u>
Total microenterprise/agricultural debt	<u>1,847,510</u>	<u>1,475,428</u>
Total debt	<u>\$ 3,063,243</u>	<u>\$ 4,863,753</u>

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

**September 30, 2018 And 2017**

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Microenterprise/Agricultural development loans by location are as follows:

	<u>2018</u>	<u>2017</u>
Hekima	\$ 1,547,510	\$ 975,428
Nicaragua	<u>300,000</u>	<u>500,000</u>
Total debt	<u>\$ 1,847,510</u>	<u>\$ 1,475,428</u>

World Relief had available a general \$3,000,000 line of credit with a domestic bank that expired on March 27, 2019. Management elected not to renew the line of credit upon expiration. Interest is charged on outstanding balances at the one-month LIBOR plus 2.75%. There was no outstanding balance on this line of credit as of September 30, 2018 and 2017.

The general debt term loans and line of credit are held by a financial institution who requires the compliance with certain financial covenants. World Relief was in compliance with these covenants as of September 30, 2018.

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

	<u>General</u>	<u>Microenterprise/ Agricultural Development</u>	<u>Total</u>
2019	\$ 66,392	\$ 1,147,510	\$ 1,213,902
2020	70,483	600,000	670,483
2021	<u>1,078,858</u>	<u>100,000</u>	<u>1,178,858</u>
	<u>\$ 1,215,733</u>	<u>\$ 1,847,510</u>	<u>\$ 3,063,243</u>

Interest expense, for the years ended September 30, 2018 and 2017 was approximately \$142,000 and \$88,000, respectively.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2018 And 2017

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### (9) NET ASSETS

Unrestricted net assets at September 30, 2018 and 2017 consist of the following:

	<u>2018</u>	<u>2017</u>
Microenterprise/agricultural development activities	\$ 1,575,137	\$ 8,090,895
General unrestricted	9,872,211	5,899,430
Non-controlling interest	<u>644,000</u>	<u>761,214</u>
	<u>\$ 12,091,348</u>	<u>\$ 14,751,539</u>

Temporarily restricted net assets at September 30, 2018 and 2017 are available for the following purposes:

	<u>2018</u>	<u>2017</u>
USA Programs	\$ 2,892,417	\$ 3,146,688
Overseas Programs	1,664,379	558,884
Disaster Response	354,542	561,820
General	<u>—</u>	<u>121,112</u>
	<u>\$ 4,911,338</u>	<u>\$ 4,388,504</u>

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

Purposes restrictions accomplished:

USA Programs	\$ 4,683,178
Overseas Programs	6,872,931
Disaster Response	1,259,821
General Programs	<u>1,401,577</u>
	<u>\$ 14,217,507</u>

During 2017, World Relief sold 670 shares of the microfinance institution, IMF Hekima to two investors for \$509,200. As a result of this sale World Relief's ownership of IMF Hekima was reduced from 99% to 59.28%.

### (10) 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 are eligible to participate in the World Relief 401(k) defined contribution plan on the first day of the month following the 90<sup>th</sup> day of employment. World Relief contributed \$750,718 and \$693,727 to the plan in 2018 and 2017, respectively.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2018 And 2017

### (11) COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

World Relief incurred approximately \$1,621,000 and \$1,585,000 of rent expense related to leases for facilities for the years ending September 30, 2018 and 2017, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2018, were as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 439,000
2020	397,000
2021	326,000
2022	<u>263,000</u>
	<u>\$1,425,000</u>

### (12) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2018 are as follows:

	<u>Europe</u>	<u>Global Technical Units</u>	<u>USA</u>	<u>Latin America And Caribbean</u>	<u>East And West Africa</u>	<u>Middle East And North Africa</u>	<u>Southern Africa</u>	<u>South And Southeast Asia</u>	<u>2018 Total</u>
Agriculture	\$ —	\$ 79,215	\$ 32,297	\$ 105,024	\$ 2,933,730	\$ 2,683,117	\$ 139,536	\$ 959	\$ 5,973,878
Anti-Trafficking	—	—	237,098	—	—	—	—	25,951	263,049
Economy, Industry & Income	—	199,506	33	68,524	1,428,693	—	149,643	79,138	1,925,537
Education	—	31,283	23,107	—	1,187,554	—	574,628	73,736	1,890,308
Emergency Relief	—	66,317	111,936	269,312	797,300	84,809	7,875	317,699	1,655,248
Health	—	208,544	—	85,792	5,678,425	—	2,637,646	42,048	8,652,455
Integrated Projects	56,258	688,955	—	52,628	825,986	948,310	(33,582)	399,002	2,937,557
Local Partner Strengthening	757	—	1,297,914	163,697	1,116,221	7,300	517,843	170,184	3,273,916
Peace Building	—	42,553	—	—	526,076	164,063	—	—	732,692
Refugee Resettlement	—	8,393	24,452,348	—	—	—	—	—	24,460,741
Service to Immigrants	—	—	3,105,874	—	—	—	—	—	3,105,874
Water & Sanitation	—	—	—	—	1,464,770	—	54	—	1,464,824
2018 Totals	<u>\$ 57,015</u>	<u>\$1,324,766</u>	<u>\$29,260,607</u>	<u>\$744,977</u>	<u>\$15,958,755</u>	<u>\$3,887,599</u>	<u>\$3,993,643</u>	<u>\$ 1,108,717</u>	<u>\$56,336,079</u>
2017 Totals	<u>\$ 360,714</u>	<u>\$ 626,329</u>	<u>\$39,380,953</u>	<u>\$901,030</u>	<u>\$15,527,470</u>	<u>\$2,494,102</u>	<u>\$3,362,799</u>	<u>\$ 2,442,234</u>	<u>\$65,095,631</u>

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

**September 30, 2018 And 2017**

**(13) SUPPORT AND REVENUE BY TYPE**

Support and revenue by type for the years ending September 30, 2018 and 2017 are as follows:

	<u>2018</u>	<u>2017</u>
Private contributions – Unrestricted	\$ 4,782,017	\$ 4,785,920
Private restricted (International – except Emergency)	7,978,426	6,302,591
Private restricted (Emergency Relief)	1,052,543	2,951,629
Private restricted (U.S.)	4,428,907	6,167,850
Private restricted (General)	<u>1,280,465</u>	<u>1,131,652</u>
<b>Subtotal Private Contributions</b>	<u>19,522,358</u>	<u>21,339,642</u>
Government grants (Federal to U.S. – direct receipt)	15,281,763	27,017,638
Government grants (Federal to U.S. – sub award)	5,093,038	5,455,334
Government grants (Federal to International – direct receipt)	8,409,554	5,103,444
Government grants (Federal to International – sub award)	<u>49,049</u>	<u>221,044</u>
<b>Subtotal Government Grants</b>	<u>28,833,404</u>	<u>37,797,460</u>
U.S state and local government grants	3,659,073	3,334,167
Non-U.S. public grants	<u>8,820,585</u>	<u>9,931,753</u>
<b>Subtotal Other Public Grants</b>	<u>12,479,658</u>	<u>13,265,920</u>
Fees for services (U.S.)	3,038,870	3,132,184
Fees for services (International)	<u>990,013</u>	<u>988,818</u>
<b>Subtotal Fees for Services</b>	<u>4,028,883</u>	<u>4,121,002</u>
Gift in kind (International)	42,940	137,627
Gift in kind (U.S.)	987,239	1,509,425
Miscellaneous income	857,518	976,597
Investments and gains/losses	<u>10,592</u>	<u>46,645</u>
<b>Subtotal Other Income</b>	<u>1,898,289</u>	<u>2,670,294</u>
<b>Total Support and Revenue</b>	<u>\$ 66,762,592</u>	<u>\$ 79,194,318</u>

**(14) SUBSEQUENT EVENTS**

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, April 17, 2019, have been evaluated in the preparation of the financial statements.