

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

*FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

**SEPTEMBER 30, 2012**

# 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 statement of financial position of World Relief Corporation of National Association of Evangelicals (“World Relief”) as of September 30, 2012, and the related consolidated statements of activities and changes in net assets, of cash flows and of functional expenses for the year then ended. These consolidated financial statements are the responsibility of World Relief’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year comparative information has been derived from World Relief’s 2011 financial statements and, in our report dated January 24, 2012, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Relief Corporation of National Association of Evangelicals as of September 30, 2012, 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 28, 2013**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**September 30, 2012 and 2011**

ASSETS	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 9,432,184	\$ 8,654,820
Investments, at market ( <i>Note 3</i> )	167,485	186,094
Receivables:		
Grants	3,630,763	3,178,937
Pledges	833,782	-
Other	487,850	264,397
Microenterprise and agricultural loans – net ( <i>Note 5</i> )	4,110,299	4,631,350
Prepaid expenses and other assets	541,065	673,709
Minority interest in net assets ( <i>Note 6</i> )	4,419,699	883,449
Plant and equipment – net of accumulated depreciation ( <i>Note 7</i> )	3,591,613	3,351,164
Assets of discontinued operations ( <i>Note 2</i> )	<u>2,275,828</u>	<u>50,571,084</u>
<b>Total assets</b>	<b><u>\$ 29,490,568</u></b>	<b><u>\$ 72,395,004</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 3,020,892	\$ 2,832,819
Deferred revenue	482,721	291,745
Long-term debt ( <i>Note 8</i> ):		
General	2,157,522	2,319,839
Microenterprise/Agricultural development	2,616,416	2,469,228
Other liabilities	1,245,480	1,010,031
Liabilities of discontinued operations ( <i>Note 2</i> )	<u>467,375</u>	<u>39,611,932</u>
<b>Total liabilities</b>	<b><u>9,990,406</u></b>	<b><u>48,535,594</u></b>
Net Assets		
Unrestricted		
Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding	1,000	1,000
Non-controlling interest	396,146	2,207,604
Net assets	<u>15,002,046</u>	<u>16,657,257</u>
<b>Total unrestricted net assets</b>	<b>15,399,192</b>	<b>18,865,861</b>
Temporarily restricted net assets ( <i>Note 9</i> )	<u>4,100,970</u>	<u>4,993,549</u>
<b>Total net assets</b>	<b><u>19,500,162</u></b>	<b><u>23,859,410</u></b>
	<b><u>\$ 29,490,568</u></b>	<b><u>\$ 72,395,004</u></b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year ended September 30, 2012 with comparative totals for 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
<b>Support and Revenue</b>				
Contributions and non U.S. federal, state, and local government grants	\$ 3,208,146	\$ 13,828,633	\$ 17,036,779	\$ 19,062,564
U.S. federal, state, and local government grants	34,109,484	-	34,109,484	31,037,682
MED banking revenue	1,751,255	-	1,751,255	1,786,845
Other revenue	3,815,597	-	3,815,597	3,608,108
Net assets released from restrictions ( <i>Note 9</i> )	<u>14,721,212</u>	<u>(14,721,212)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue (<i>Note 13</i>)</b>	<u>57,605,694</u>	<u>(892,579)</u>	<u>56,713,115</u>	<u>55,495,199</u>
<b>Expenses</b>				
Program Ministries				
USA Programs	28,324,988	-	28,324,988	25,578,021
Overseas Programs	14,763,265	-	14,763,265	13,241,118
Disaster Response	<u>6,583,057</u>	<u>-</u>	<u>6,583,057</u>	<u>6,265,267</u>
<b>Total program ministries</b>	<u>49,671,310</u>	<u>-</u>	<u>49,671,310</u>	<u>45,084,406</u>
Support Ministries				
General and administrative	5,510,963	-	5,510,963	5,683,813
Fundraising	<u>2,987,490</u>	<u>-</u>	<u>2,987,490</u>	<u>3,014,489</u>
<b>Total support ministries</b>	<u>8,498,453</u>	<u>-</u>	<u>8,498,453</u>	<u>8,698,302</u>
<b>Total expenses</b>	<u>58,169,763</u>	<u>-</u>	<u>58,169,763</u>	<u>53,782,708</u>
<b>Excess of revenue over expenses</b>	(564,069)	(892,579)	(1,456,648)	1,712,491
<b>Other changes</b>				
Gain (loss) on discontinued operations	(2,902,600)	-	(2,902,600)	1,415,095
Loss on impairment of discontinued operations ( <i>Note 2</i> )	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,208,477)</u>
<b>Change in net assets</b>	(3,466,669)	(892,579)	(4,359,248)	1,919,109
<b>Net Assets</b>				
Beginning of year	<u>18,865,861</u>	<u>4,993,549</u>	<u>23,859,410</u>	<u>21,940,301</u>
<b>End of year</b>	<u>\$ 15,399,192</u>	<u>\$ 4,100,970</u>	<u>\$ 19,500,162</u>	<u>\$ 23,859,410</u>

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

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

**Years ended September 30, 2012 and 2011**

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	<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, 2010	\$ 16,477,320	\$ 1,341,170	\$ 17,818,490
Change in unrestricted net assets	<u>180,937</u>	<u>866,434</u>	<u>1,047,371</u>
Unrestricted net assets, September 30, 2011	\$ 16,658,257	\$ 2,207,604	\$ 18,865,861
Sale of majority held investment	(1,566,767)	(1,706,335)	(3,273,102)
Change in unrestricted net assets	<u>(88,444)</u>	<u>(105,123)</u>	<u>(193,567)</u>
Unrestricted net assets, September 30, 2012	<u>\$ 15,003,046</u>	<u>\$ 396,146</u>	<u>\$ 15,399,192</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Year ended September 30, 2012 with comparative totals for 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Changes in net assets</i>	\$ (4,359,248)	\$ 1,919,109
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	469,597	429,927
Loss on impairment of discontinued operations	-	1,208,477
Loss on sale of majority held investment	1,566,766	-
Gain on disposal of fixed assets	-	(40,551)
Net realized and unrealized loss on investments	1,484	2,539
Equity in (gain) loss on investment in microfinance institution	(152,052)	800
(Increase) decrease in		
Receivables	(1,509,061)	535,417
Prepaid expenses and other assets	132,644	181,660
Increase (decrease) in		
Accounts payable and accrued liabilities	188,073	(88,666)
Deferred revenue	<u>190,976</u>	<u>252,215</u>
Net cash provided by (used in) operating activities – continuing operations	(3,470,821)	4,400,927
Cash provided by operating activities – discontinued operations	<u>4,545,830</u>	<u>529,608</u>
<b>Net cash provided by operating activities</b>	<u>1,075,009</u>	<u>4,930,535</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase and sale of investments, net	17,125	30,213
Capital expenditures, net	(710,046)	(608,637)
Minority interest in net assets received	(3,384,198)	-
Proceeds from sale of assets available for sale	3,261,716	-
Net change in microenterprise and agricultural activities:		
Loans	521,051	348,100
Other liabilities	<u>235,449</u>	<u>(163,311)</u>
Net cash used for investing activities – continuing operations	(58,903)	(393,635)
Cash provided by (used in) investing activities – discontinued operations	<u>583,967</u>	<u>(8,502,381)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>525,064</u>	<u>(8,896,016)</u>

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

*STATEMENTS OF CASH FLOWS – (Continued)*

**Year ended September 30, 2012 with comparative totals for 2011**

	<u>2012</u>	<u>2011</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from lines of credit and notes payable	\$ 376,179	\$ 2,815,636
Repayments of lines of credit and notes payable	<u>(391,308)</u>	<u>(3,476,059)</u>
Net cash used in financing activities – continuing operations	(15,129)	(660,423)
Cash provided by (used in) financing activities – discontinued operations	<u>(3,648,350)</u>	<u>6,930,599</u>
<b>Net cash provided by (used in) financing activities</b>	<u>(3,663,479)</u>	<u>6,270,176</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(2,063,406)	2,304,695
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Cash and cash equivalents at the beginning of the year	<u>11,972,192</u>	<u>9,667,497</u>
Cash and cash equivalents at the end of the year	9,908,786	11,972,192
Less: cash and cash equivalents of discontinued operations	<u>476,602</u>	<u>3,317,372</u>
Cash and cash equivalents at the end of the year, net	<u>\$ 9,432,184</u>	<u>\$ 8,654,820</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest (excluding discontinued operations)	<u>\$ 159,469</u>	<u>\$ 319,166</u>



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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended September 30, 2012 with comparative totals for 2011**

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2012 Total	2011 Comparative Total	General And Administrative	Fundraising	2012 Total	2011 Comparative Total	2012 Total	2011 Comparative Total
Salaries and Related Expenses	\$ 11,120,572	\$ 5,108,231	\$ 1,540,909	\$ 17,769,712	\$15,999,819	\$2,751,471	\$ 1,570,438	\$4,321,909	\$ 4,210,674	\$ 22,091,621	\$ 20,210,493
Personnel Benefits	2,853,478	692,159	154,657	3,700,294	3,183,919	591,185	336,564	927,749	842,676	4,628,043	4,026,595
Travel	601,333	665,151	405,554	1,672,038	1,359,915	432,839	270,615	703,454	479,693	2,375,492	1,839,608
Board Expenses	-	-	-	-	-	48,154	-	48,154	41,074	48,154	41,074
Communications and Printing	250,519	234,641	80,218	565,378	675,190	121,172	234,226	355,398	583,020	920,776	1,258,210
Office Expenses	471,267	437,817	127,606	1,036,690	952,965	212,532	100,669	313,201	180,598	1,349,891	1,133,563
Equipment Costs	277,256	950,553	569,687	1,797,496	1,695,758	58,283	10,069	68,352	26,544	1,865,848	1,722,302
Personnel Expenses	114,795	708,828	172,713	996,336	1,157,874	128,273	43,466	171,739	139,228	1,168,075	1,297,102
Consulting and Professional Fees	647,175	263,943	70,483	981,601	761,028	242,238	331,150	573,388	559,161	1,554,989	1,320,189
Computer Expense	92,790	45,644	11,876	150,310	156,537	48,244	42,337	90,581	66,150	240,891	222,687
Books and Subscriptions	15,616	2,354	60	18,030	15,975	4,160	1,750	5,910	7,168	23,940	23,143
Property and Liability Insurance	70,517	901	-	71,418	78,194	187,225	459	187,684	196,140	259,102	274,334
Interest Expense	-	39,845	-	39,845	19,286	111,671	8,586	120,257	301,783	160,102	321,069
Foreign Exchange	-	473,324	(493,594)	(20,270)	(144,238)	(2,418)	-	(2,418)	72	(22,688)	(144,166)
Depreciation and Amortization	-	248,192	12,708	260,900	242,054	208,697	-	208,697	187,872	469,597	429,926
Bad Debt Expense	1,531	126,617	-	128,148	173,431	-	-	-	-	128,148	173,431
Occupancy Costs	848,604	396,564	114,468	1,359,636	1,438,328	201,971	403	202,374	194,478	1,562,010	1,632,806
Other Expenses	85,614	234,471	103,038	423,123	270,084	165,266	36,758	202,024	330,488	625,147	600,572
Microfinance related	-	8,529	-	8,529	(94,551)	-	-	-	250	8,529	(94,301)
Initial Refugee Grants	3,962,650	-	-	3,962,650	3,650,573	-	-	-	-	3,962,650	3,650,573
Other Grants & Specific Assistance	6,441,465	1,182,075	1,185,891	8,809,431	8,236,238	-	-	-	350,522	8,809,431	8,586,760
Other Program Costs	12	2,565,373	2,526,783	5,092,168	4,575,175	-	-	-	711	5,092,168	4,575,886
Gifts-in-kind	469,794	378,053	-	847,847	680,852	-	-	-	-	847,847	680,852
<b>Total Expenses</b>	<b>\$ 28,324,988</b>	<b>\$14,763,265</b>	<b>\$ 6,583,057</b>	<b>\$ 49,671,310</b>	<b>\$ 45,084,406</b>	<b>\$ 5,510,963</b>	<b>\$ 2,987,490</b>	<b>\$ 8,498,453</b>	<b>\$ 8,698,302</b>	<b>\$ 58,169,763</b>	<b>\$ 53,782,708</b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2012 and 2011

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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. World Relief is a 100% shareholder in two microenterprise entities in Kosovo (BZMF) and Democratic Republic of Congo (Hekima), and is a 78% and 33% shareholder in microenterprise entities located in Burundi (Turame) and Cambodia (KREDIT), respectively.

#### **PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of World Relief and the four microenterprise entities. For the microenterprise entity for which World Relief owns less than 100%, non-controlling interest 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.

#### **SUBSEQUENT EVENTS**

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, January 28, 2013, have been evaluated in the preparation of the financial statements.

#### **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 \$6.4 million and \$19.2 million, including \$4.3 million and \$14.6 million, which includes non-controlling interests, relating to the majority-owned microenterprise entities, for the years ended September 30, 2012 and 2011, respectively. Net assets of the majority-owned microenterprise entities accounted for as discontinued operations amounted to approximately \$1.8 million and \$10.9 million, including non-controlling interest, as of September 30, 2012 and 2011, respectively.

Loans receivable are in connection with World Relief's microenterprise development and agricultural activities (*See Note 5*). 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 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 CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS**

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

**September 30, 2012 and 2011**

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### ***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, excluding the amount related to discontinued operations, for the years ended September 30, 2012 and 2011 was an increase to net assets of \$21,950 and \$321,988, 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, 2009 - 2011) or expected to be taken in World Relief’s September 30, 2012 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 FINANCIAL STATEMENTS – (Continued)*

**September 30, 2012 and 2011**

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

### ***NET ASSETS***

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

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

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

### ***CONTRIBUTIONS***

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

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

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

**September 30, 2012 and 2011**

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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 \$847,847 in 2012 and \$680,852 in 2011. In addition, refugee sponsors and others often provide goods and services directly to resettled refugees; however, the value of these goods and services is not included in the financial statements.

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

Worldwide, volunteers account for approximately 95% of the World Relief workforce, greatly multiplying the number of people reached by the organizations' global ministries. In many cases volunteers serve on the front lines of World Relief's programs, partnering with staff to increase the impact of services given. More than 100,000 people volunteered with World Relief in each of the years 2012 and 2011. 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, 2011, from which the summarized information was derived.

#### ***RECLASSIFICATION***

Certain reclassifications were made to the prior year financial statements to conform to the current year presentation.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2012 and 2011

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### (2) DISCONTINUED OPERATIONS

In the prior year, World Relief commenced plans to sell its wholly owned microfinance entity, BZMF and expected to complete the sale of its ownership in BZMF within a year. As a result of World Relief's status in Kosovo as a social organization, government regulations in the country restrict the sale of assets owned by such organizations. World Relief is currently liquidating BZMF's assets to pay off all existing liabilities, and plans to transfer the remaining net assets to a reputable microfinance organization in Kosovo. This transfer is expected to take place within one year. The operating results of BZMF have been reclassified as discontinued operations.

Additionally, in the prior year, World Relief entered into an agreement with Phillips MFI's Pte Ltd, a company incorporated under the laws of Singapore, to sell a portion of its microfinance entity, KREDIT. The sale was completed in March 2012, and, as a result of the disposal, its assets and liabilities in 2011 and its 2012 and 2011 operations have been classified within discontinued operations. Proceeds from the sale were \$3,261,716 and a loss in the amount of \$1,566,767 was incurred and is also included within discontinued operations in the statement of activities. World Relief's remaining 32.57% interest in KREDIT is being accounted for under the equity method (*Note 6*).

Assets and liabilities of discontinued operations as of September 30, 2012 and 2011 are as follows:

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Cash and cash equivalents	\$ 476,602	\$ 3,317,372
Loans receivable - net	1,543,870	45,950,382
Prepaid expenses and other assets	11,771	475,777
Plant and equipment – net of accumulated depreciation	<u>243,585</u>	<u>827,553</u>
<b>Total Assets of Discontinued Operations</b>	<b><u>\$ 2,275,828</u></b>	<b><u>\$50,571,084</u></b>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 26,456	\$ 2,113,194
Deferred revenue	19,458	20,519
Other Liabilities	-	2,587,841
Long-term debt	<u>421,461</u>	<u>34,890,378</u>
<b>Total Liabilities of Discontinued Operations</b>	<b><u>\$ 467,375</u></b>	<b><u>\$ 39,611,932</u></b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2012 and 2011

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### (3) INVESTMENTS

At September 30, 2012 and 2011, investments consisted of the following:

#### MARKETABLE SECURITIES

	2012		2011	
	Cost	Market	Cost	Market
Mutual Funds	\$ 126,431	\$ 115,820	\$ 122,635	\$ 113,118
Certificates of Deposit	<u>51,665</u>	<u>51,665</u>	<u>72,976</u>	<u>72,976</u>
	<u>\$ 178,096</u>	<u>\$ 167,485</u>	<u>\$ 195,611</u>	<u>\$ 186,094</u>

At September 30, 2012 and 2011, investments had unrealized losses of \$10,611 and \$9,517, respectively.

#### INVESTMENT RETURN

The following summarizes the investment return for the year ended September 30, 2012 and 2011:

	2012	2011
Net investment income	\$ 254,644	\$ 61,638
Net realized loss	(378)	(964)
Net unrealized loss	<u>(1,106)</u>	<u>(1,575)</u>
	<u>\$ 253,160</u>	<u>\$ 59,099</u>

### (4) 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.

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

**September 30, 2012 and 2011**

The summary of inputs used to value World Relief’s investments as of September 30, 2012 are as follows:

	<b>2012</b>			
	<b>Total</b>	<b>Level 1 Quoted Prices</b>	<b>Level 2 Other Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>
<b>Investments</b>				
Mutual Funds	\$ 115,820	\$ 115,820	\$ -	\$ -
Certificate of Deposit	<u>51,665</u>	<u>51,665</u>	<u>-</u>	<u>-</u>
	<u>\$ 167,485</u>	<u>\$ 167,485</u>	<u>\$ -</u>	<u>\$ -</u>
	<b>2011</b>			
	<b>Total</b>	<b>Level 1 Quoted Prices</b>	<b>Level 2 Other Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>
<b>Investments</b>				
Mutual Funds	\$ 113,118	\$ 113,118	\$ -	\$ -
Certificate of Deposit	<u>72,976</u>	<u>72,976</u>	<u>-</u>	<u>-</u>
	<u>\$ 186,094</u>	<u>\$ 186,094</u>	<u>\$ -</u>	<u>\$ -</u>

**(5) MICROENTERPRISE LOANS AND AGRICULTURAL 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. Agricultural loans are granted for the purpose of improving the delivery of agricultural services to small farmers in Nicaragua and Haiti.

Microfinance loans receivable, excluding amounts that have been reclassified as discontinued operations, and agricultural loans receivable, net at September 30, 2012 and 2011 consist of the following:

	<b><u>2012</u></b>	<b><u>2011</u></b>
Microenterprise loans		
(net of allowance of \$183,583 in 2012 and \$187,602 in 2011)	\$ 2,566,806	\$ 2,715,634
Loans to local Nicaraguan and Haitian agricultural loan partners		
(net of allowance of \$143,908 in 2012 and \$145,145 in 2011)	<u>1,543,493</u>	<u>1,915,716</u>
	<u>\$ 4,110,299</u>	<u>\$ 4,631,350</u>



# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2012 and 2011**

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Microenterprise loan balances in each location are as follows:

	<u>2012</u>	<u>2011</u>
Turame	\$ 1,283,795	\$ 1,362,561
Hekima	<u>1,283,011</u>	<u>1,353,073</u>
	<u>\$ 2,566,806</u>	<u>\$ 2,715,634</u>

A summary of the activity in the allowance for loan losses for the years ended September 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Balance at beginning of year	\$ 332,747	\$ 169,955
Provision for loan losses	109,683	176,582
Loans written off	<u>(114,939)</u>	<u>(13,790)</u>
	<u>\$ 327,491</u>	<u>\$ 332,747</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 \$1,245,480 and \$1,010,031, as of September 30, 2012 and 2011, respectively and is included in other liabilities in the Statement of Financial Position.

### (6) MINORITY INTEREST IN NET ASSETS

Other investments represent World Relief's investment in two microfinance financial institutions, Urwego Opportunity Bank ("**UOB**"), a for-profit bank extending services to the poor of Rwanda, and KREDIT, a for-profit bank for the poor in Cambodia. World Relief's investment was 17% and 32.57% in UOB and KREDIT as of September 30, 2012, respectively. The carrying amount of each investment at September 30, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
UOB	\$ 883,449	\$ 883,449
KREDIT	<u>3,536,250</u>	<u>-</u>
	<u>\$ 4,419,699</u>	<u>\$ 883,449</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2012 and 2011**

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### (7) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ -	\$ 10,000
Buildings	2,181,136	1,990,689
Work-in-progress	458,199	219,532
Computers, office and other equipment	3,751,053	3,912,884
Vehicles	<u>2,631,343</u>	<u>2,476,460</u>
	9,021,731	8,609,565
Less: accumulated depreciation	<u>5,430,118</u>	<u>5,258,401</u>
Net value	<u>\$ 3,591,613</u>	<u>\$ 3,351,164</u>

### (8) DEBT

A summary of long-term debt is as follows:

	<u>2012</u>	<u>2011</u>
<b><u>General</u></b>		
\$1,598,000 term loan with a bank bearing interest at a rate of 5.99% 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 debt service coverage. World Relief complies with such covenants as of September 30, 2012. Proceeds from this term loan were used to repay outstanding term loans noted above.	\$ 1,555,941	\$ 1,598,000
\$459,000 term loan with a bank bearing interest at a rate of the lesser of 2.75% plus the one month LIBOR or 4.25% payable in full by September 27, 2016. This term loan is secured by substantially all assets of World Relief and subject to the same financial covenants as the \$1,598,000 term loan. Proceeds from this term loan were used to repay outstanding term loans noted above.	376,909	459,000
Two \$125,000 loans payable to the City of Baltimore bearing 4% interest and maturing November 1, 2011. The first loan was payable in monthly installments of \$1,266. Interest and principal on the second loan was deferred for three years and then was payable in monthly installments of \$1,921 beginning December 1, 2004.	-	8,935
Other notes payable	<u>224,672</u>	<u>253,904</u>
Total General Debt	<u>2,157,522</u>	<u>2,319,839</u>

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

**September 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b><u>Microenterprise/Agricultural Development</u></b>		
\$2,000,000 loan payable from an individual with interest at 9% through March 31, 2011 and 0% forward, payable in annual installments of \$160,000 beginning March 31, 2010 with a balloon payment of \$1,360,000 due on March 31, 2014. This loan is used for lending to a local agricultural loan partner in Nicaragua and there is a loan receivable for this same amount ( <i>See Note 5</i> ).	1,520,000	1,680,000
Various other loans payable with maturities through 2014 and interest rates ranging from 0% - 6.4%.	<u>1,096,416</u>	<u>789,228</u>
Total microenterprise/agricultural debt	<u>2,616,416</u>	<u>2,469,228</u>
Total debt	<u>\$ 4,773,938</u>	<u>\$ 4,789,067</u>

Microenterprise/Agricultural development loans by location are as follows:

	<u>2012</u>	<u>2011</u>
Turame	\$ 165,117	\$ 110,233
Hekima	931,299	678,995
Nicaragua	<u>1,520,000</u>	<u>1,680,000</u>
Total debt	<u>\$ 2,616,416</u>	<u>\$ 2,469,228</u>

World Relief has available a \$1,000,000 line of credit with a bank. Interest is charged at the one month LIBOR plus 2.75% subject to a minimum rate of 4.25%. No amounts were outstanding at September 30, 2012 and 2011. The line of credit expires on January 27, 2014.

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

	<u>General</u>	<u>Microenterprise/ Agricultural Development</u>	<u>Total</u>
2013	\$ 154,391	\$ 710,927	\$ 865,318
2014	162,636	1,905,489	2,068,125
2015	171,342	-	171,342
2016	190,506	-	190,506
2017	88,370	-	88,370
2018 and thereafter	<u>1,390,277</u>	<u>-</u>	<u>1,390,277</u>
	<u>\$ 2,157,522</u>	<u>\$ 2,616,416</u>	<u>\$ 4,773,938</u>

Interest expense, excluding amounts related to discontinued operations, for the years ended September 30, 2012 and 2011 was approximately \$159,000 and \$319,000, respectively.

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

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**September 30, 2012 and 2011**

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**(9) NET ASSETS**

Unrestricted net assets at September 30, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Microenterprise/agricultural development activities	\$ 8,778,132	\$ 13,639,545
General unrestricted	6,224,914	3,018,712
Non-controlling interest	<u>396,146</u>	<u>2,207,604</u>
	<u>\$ 15,399,192</u>	<u>\$ 18,865,861</u>

Temporarily restricted net assets at September 30, 2012 and 2011 are available for the following purposes:

	<u>2012</u>	<u>2011</u>
USA Programs	\$ 298,490	\$ 400,604
Overseas Programs		
Headquarters	632,940	116,227
Field	225,573	12,674
Disaster Response		
Headquarters	2,636,248	3,231,707
Field	<u>307,719</u>	<u>1,232,337</u>
	<u>\$ 4,100,970</u>	<u>\$ 4,993,549</u>

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

Purposes restrictions accomplished:

USA Programs	\$ 2,610,402
Overseas Programs	4,473,341
Disaster Response	<u>7,637,469</u>
	<u>\$ 14,721,212</u>

**(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 and have completed six months of service are eligible to participate in the World Relief 401(k) defined contribution plan. World Relief contributed \$186,457 to the plan in 2012. No contributions were made to the plan in 2011.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2012 and 2011

### (11) COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

World Relief incurred approximately \$1,175,000 and \$1,452,000 of rent expense related to leases for facilities for the years ending September 30, 2012 and 2011, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2012, were as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2013	\$ 234,459
2014	164,672
2015	71,625
2016	<u>14,642</u>
	<u>\$ 485,398</u>

### (12) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2012 are as follows:

	<u>Global Technical Units</u>	<u>USA</u>	<u>Latin America And Caribbean</u>	<u>East And West Africa</u>	<u>Southern Africa</u>	<u>South And Southeast Asia</u>	<u>2012 Total</u>
Agriculture	\$ 3,900	\$ -	\$ 2,152,116	\$ 384,373	\$ 85,831	\$ 8,145	\$ 2,634,365
Anti-Trafficking	-	372,730	-	-	-	40,310	413,040
Child Development	-	-	-	703,182	384,028	172,980	1,260,190
Emergency Relief	241,787	-	93,195	4,688,570	56,565	12,540	5,092,657
HIV/AIDS	113,975	-	27,483	402,236	1,181,355	598,927	2,323,976
Local Partner Strengthening	29,053	191,902	107,131	984,486	225,176	328,476	1,866,224
Maternal And Child Health	200,488	-	606,840	1,777,401	1,581,296	10,770	4,176,795
Micro Economic Development	216,586	275,276	43,433	2,783,858	-	254,882	3,574,035
Refugee Resettlement	-	22,727,134	-	844,948	-	-	23,572,082
Service To Immigrants	-	4,757,946	-	-	-	-	4,757,946
2012 Totals	<u>\$ 805,789</u>	<u>\$ 28,324,988</u>	<u>\$ 3,030,198</u>	<u>\$ 12,569,054</u>	<u>\$ 3,514,251</u>	<u>\$ 1,427,030</u>	<u>\$ 49,671,310</u>
2011 Totals	<u>\$ 930,496</u>	<u>\$ 25,578,022</u>	<u>\$ 2,782,779</u>	<u>\$ 10,953,052</u>	<u>\$ 3,268,911</u>	<u>\$ 1,571,146</u>	<u>\$ 45,084,406</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2012 and 2011**

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### (13) SUPPORT AND REVENUE BY TYPE

Support and revenue by type for the years ending September 30, 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
Private contributions – Unrestricted	\$ 3,995,934	\$ 4,469,449
Private restricted (International – except Emergency)	4,468,570	4,765,150
Private restricted (Emergency Relief)	862,878	1,945,753
Private restricted (U.S.)	<u>1,148,796</u>	<u>1,127,495</u>
<b>Subtotal Private Contributions</b>	<u>10,476,178</u>	<u>12,307,847</u>
Government grants (Federal to U.S. – direct receipt)	19,571,906	18,598,036
Government grants (Federal to International – direct receipt)	4,408,051	4,230,538
Government grants (Federal to U.S. – sub award)	4,763,902	4,177,970
Government grants (Federal to International – sub award)	<u>2,538,999</u>	<u>2,272,923</u>
<b>Subtotal Government Grants</b>	<u>31,282,858</u>	<u>29,279,467</u>
Other grants/contracts (U.S. to U.S.)	3,082,769	1,978,754
Other grants/contracts (International to International)	<u>6,404,458</u>	<u>6,874,866</u>
<b>Subtotal Other Grants/Contracts</b>	<u>9,487,227</u>	<u>8,853,620</u>
Fees for services (U.S.)	2,278,465	2,295,438
MED investment income (International)	<u>1,941,259</u>	<u>1,646,250</u>
<b>Subtotal Fees for Services</b>	<u>4,219,724</u>	<u>3,941,688</u>
Gift in kind (U.S.)	378,053	381,904
Gift in kind (Emergency Relief)	469,794	298,947
Miscellaneous income	125,850	341,073
Investments and gains/losses	<u>273,431</u>	<u>90,653</u>
<b>Subtotal Other Income</b>	<u>1,247,128</u>	<u>1,112,577</u>
<b>Total Support and Revenue</b>	<u>\$ 56,713,115</u>	<u>\$ 55,495,199</u>