

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

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

**SEPTEMBER 30, 2019**

# 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, 2019, and the related consolidated statements of activities and changes in net assets, functional expenses 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, 2019, 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 2018 consolidated financial statements and our report dated April 17, 2019 expressed an unmodified 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, 2018, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
February 12, 2020**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**September 30, 2019 And 2018**

<b>ASSETS</b>	<b><u>2019</u></b>	<b><u>2018</u></b>
Cash and cash equivalents	\$ 9,261,761	\$ 10,346,915
Investments, at market <i>(Note 2)</i>	1,009,825	694,328
Receivables:		
Grants	4,037,930	4,617,505
Contributions <i>(Note 4)</i>	334,500	815,368
Other	516,070	592,424
Microenterprise and agricultural loans – net <i>(Note 5)</i>	2,521,917	2,439,141
Prepaid expenses and other assets	902,044	914,781
Minority interest in net assets <i>(Note 6)</i>	643,586	667,976
Property held for sale	-	200,000
Plant and equipment – net of accumulated depreciation <i>(Note 7)</i>	<u>4,036,623</u>	<u>4,210,921</u>
<b>Total assets</b>	<b><u>\$ 23,264,256</u></b>	<b><u>\$ 25,499,359</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 3,921,359	\$ 4,702,054
Deferred revenue	1,145,547	52,824
Long-term debt <i>(Note 8)</i> :		
General	1,140,397	1,215,733
Microenterprise/Agricultural development	1,271,341	1,847,510
Other liabilities	<u>882,319</u>	<u>678,552</u>
<b>Total liabilities</b>	<b><u>8,360,963</u></b>	<b><u>8,496,673</u></b>
Net Assets		
Without donor restrictions <i>(Note 9)</i>		
Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding	1,000	1,000
Non-controlling interest	686,767	644,000
Net assets	<u>10,843,825</u>	<u>11,446,348</u>
<b>Total net assets without donor restrictions</b>	<b>11,531,592</b>	<b>12,091,348</b>
Net assets with donor restrictions <i>(Note 9)</i>	<u>3,371,701</u>	<u>4,911,338</u>
<b>Total net assets</b>	<b><u>14,903,293</u></b>	<b><u>17,002,686</u></b>
	<b><u>\$ 23,264,256</u></b>	<b><u>\$ 25,499,359</u></b>

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

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

**Year Ended September 30, 2019 With Summarized Information For 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019 Total</u>	<u>2018 Total</u>
<b>Support and Revenue</b>				
Private contributions	\$ 4,869,288	\$ 14,153,044	\$ 19,022,332	\$ 19,522,358
Government and other public grants	35,995,049	-	35,995,049	41,313,062
MED banking revenue	1,321,479	-	1,321,479	990,013
Other revenue	4,821,347	-	4,821,347	4,937,159
Net assets released from restrictions <i>(Note 9)</i>	<u>15,692,681</u>	<u>(15,692,681)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue <i>(Note 13)</i></b>	<u>62,699,844</u>	<u>(1,539,637)</u>	<u>61,160,207</u>	<u>66,762,592</u>
<b>Expenses</b>				
Program ministries				
USA programs	28,022,087	-	28,022,087	29,110,351
Overseas programs	18,720,034	-	18,720,034	22,737,250
Disaster response	<u>5,693,664</u>	<u>-</u>	<u>5,693,664</u>	<u>4,488,478</u>
<b>Total program ministries</b>	<u>52,435,785</u>	<u>-</u>	<u>52,435,785</u>	<u>56,336,079</u>
Support Ministries				
General and administrative	6,197,125	-	6,197,125	7,384,363
Fundraising	<u>4,617,574</u>	<u>-</u>	<u>4,617,574</u>	<u>5,065,556</u>
<b>Total support ministries</b>	<u>10,814,699</u>	<u>-</u>	<u>10,814,699</u>	<u>12,449,919</u>
<b>Total expenses</b>	<u>63,250,484</u>	<u>-</u>	<u>63,250,484</u>	<u>68,785,998</u>
<b>Excess of revenue over expenses</b>	(550,640)	(1,539,637)	(2,090,277)	(2,023,406)
<b>Other Changes</b>				
Loss on minority interest in net assets, net	(24,390)	-	(24,390)	(50,817)
Gain on sale of fixed assets	15,274	-	15,274	49,517
Loss on impairment of asset held for sale	<u>-</u>	<u>-</u>	<u>-</u>	<u>(112,651)</u>
<b>Change in net assets</b>	(559,756)	(1,539,637)	(2,099,393)	(2,137,357)
<b>Net Assets</b>				
Beginning of year	<u>12,091,348</u>	<u>4,911,338</u>	<u>17,002,686</u>	<u>19,140,043</u>
<b>End of year</b>	<u>\$ 11,531,592</u>	<u>\$ 3,371,701</u>	<u>\$ 14,903,293</u>	<u>\$ 17,002,686</u>

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

***CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS***

**Years Ended September 30, 2019 And 2018**

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	<b><u>Without Donor Restrictions - World Relief</u></b>	<b><u>Non-Controlling Interest In Microfinance Entities</u></b>	<b><u>Total</u></b>
Net assets without restrictions, September 30, 2017	\$13,990,325	\$ 761,214	\$14,751,539
Change in net assets without restrictions	<u>(2,542,977)</u>	<u>(117,214)</u>	<u>(2,660,191)</u>
Net assets without restrictions, September 30, 2018	11,447,348	644,000	12,091,348
Change in net assets without restrictions	<u>(602,523)</u>	<u>42,767</u>	<u>(559,756)</u>
Net assets without restrictions, September 30, 2019	<u>\$10,844,825</u>	<u>\$ 686,767</u>	<u>\$11,531,592</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years Ended September 30, 2019 And 2018**

	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Changes in net assets</i>	\$ (2,099,393)	\$ (2,137,357)
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	585,727	562,469
Gain on disposal of fixed assets	(15,274)	(49,517)
Bad debt expense	97,250	(27,144)
Loss (gain) on foreign exchange rates	48,335	(189,728)
Loss on impairment of asset held for sale	-	112,651
Equity loss on investment in microfinance institution	24,390	50,817
(Increase) decrease in		
Receivables	1,140,784	295,295
Prepaid expenses and other assets	12,737	(1,083)
Increase (decrease) in		
Accounts payable and accrued liabilities	(780,695)	(453,648)
Deferred revenue	<u>1,092,723</u>	<u>(427,458)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>106,584</u>	<u>(2,264,703)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments, net	(315,497)	(30,791)
Proceeds from sale of fixed assets	274,970	89,711
Purchases of fixed assets	(469,991)	(725,871)
Proceeds from sale of minority interest in net assets	-	5,884,451
Net change in microenterprise and agricultural activities:		
Loans	(214,387)	461,824
Other liabilities	<u>203,767</u>	<u>63,874</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(521,138)</u>	<u>5,743,198</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of debt	457,863	1,352,214
Repayments of debt	<u>(1,128,463)</u>	<u>(3,078,474)</u>
<b>Net cash used in financing activities</b>	<u>(670,600)</u>	<u>(1,726,260)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	(1,085,154)	1,752,235
<b>CASH, CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the year	<u>10,346,915</u>	<u>8,594,680</u>
Cash and cash equivalents at the end of the year	<u>\$ 9,261,761</u>	<u>\$ 10,346,915</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 80,631</u>	<u>\$ 141,915</u>

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended September 30, 2019 With Summarized Information For 2018**

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2019 Total	2018 Comparative Total	General And Administrative	Fundraising	2019 Total	2018 Comparative Total	2019 Total	2018 Comparative Total
Salaries and Benefits	\$ 16,678,415	\$ 7,554,077	\$ 1,466,040	\$ 25,698,532	\$ 27,311,216	\$ 3,915,443	\$ 3,098,289	\$ 7,013,732	\$ 8,182,529	\$ 32,712,264	\$ 35,493,745
Other Personnel Expenses	544,626	2,003,912	258,617	2,807,155	2,704,981	500,490	450,670	951,160	959,303	3,758,315	3,664,284
Communications and Printing	390,053	317,063	41,994	749,110	807,679	76,211	249,201	325,412	462,586	1,074,522	1,270,265
Office Expenses	708,405	368,144	51,922	1,128,471	1,135,959	142,084	177,993	320,077	323,679	1,448,548	1,459,638
Equipment Costs	202,483	1,068,652	340,911	1,612,046	1,421,767	19,265	17,541	36,806	77,903	1,648,852	1,499,670
Consulting and Professional Fees	1,038,539	569,584	317,611	1,925,734	1,586,707	412,740	468,094	880,834	1,120,831	2,806,568	2,707,538
Property and Liability Insurance	156,597	30,221	5,069	191,887	153,396	264,960	-	264,960	314,648	456,847	468,044
Depreciation and Amortization	-	161,978	2,173	164,151	163,954	421,576	-	421,576	398,515	585,727	562,469
Occupancy Costs	1,271,481	672,586	210,799	2,154,866	2,168,223	191,463	62,154	253,617	269,768	2,408,483	2,437,991
Microfinance related	-	57,213	-	57,213	30,355	-	-	-	-	57,213	30,355
Initial Refugee Grants	2,369,413	-	-	2,369,413	2,656,705	-	-	-	17,994	2,369,413	2,674,699
Grants & Specific Assistance	4,528,160	827,330	973,949	6,329,439	8,789,275	-	-	-	39,404	6,329,439	8,828,679
Other Program Expenses	5,284	4,686,115	1,987,856	6,679,255	7,012,559	-	-	-	92	6,679,255	7,012,651
Other Expenses	<u>128,631</u>	<u>403,159</u>	<u>36,723</u>	<u>568,513</u>	<u>393,303</u>	<u>252,893</u>	<u>93,632</u>	<u>346,525</u>	<u>282,667</u>	<u>915,038</u>	<u>675,970</u>
<b>Total Expenses</b>	<b>\$ 28,022,087</b>	<b>\$ 18,720,034</b>	<b>\$ 5,693,664</b>	<b>\$ 52,435,785</b>	<b>\$ 56,336,079</b>	<b>\$ 6,197,125</b>	<b>\$ 4,617,574</b>	<b>\$ 10,814,699</b>	<b>\$ 12,449,919</b>	<b>\$ 63,250,484</b>	<b>\$ 68,785,998</b>



# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2019 And 2018

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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). The preferred partnership with World Relief Germany ended in October 2019. In future years, World Relief will continue to work with the now named Tearfund Germany for disaster and humanitarian response based on particular project agreements.

#### **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 \$6.5 million and \$7.3 million, for the years ended September 30, 2019 and 2018, respectively, including \$1.7 million and \$1.6 million in 2019 and 2018, 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, 2019 And 2018**

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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 \$5.0 million and \$4.3 million of cash and cash equivalents held in foreign banking institutions as of September 30, 2019 and 2018. 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 was a decrease to net assets of \$48,335 for the year ended September 30, 2019, and an increase to net assets of \$189,728 for the year ended September 30, 2018.

### ***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, 2016 - 2018) or expected to be taken in World Relief’s September 30, 2019 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, 2019 And 2018

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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 is capitalized 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:

***Without Donor Restrictions***– Net assets that are not subject to donor-imposed restrictions. Items that affect this category principally consist of income from cost reimbursement contracts; gifts without restrictions; and expenses associated with the core activities of World Relief.

***With Donor Restrictions*** – Net assets subject to donor-imposed restrictions that will be met either by actions of World Relief or the passage of time. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

### ***CONTRIBUTIONS***

Contributions are recorded at net realizable value as revenue on receipt or when unconditional promises to give are received. Unless its use is limited by time or donor-imposed restriction, contribution revenue is recorded as increases in net assets without donor restrictions.

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

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

**September 30, 2019 And 2018**

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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 \$927,654 in 2019 and \$1,038,002 in 2018. 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 2019 and 2018. 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, 2018, from which the summarized information was derived.

#### ***RECLASSIFICATIONS***

Certain reclassifications were made to the 2018 financial statements to conform to the 2019 presentation.

#### ***NEW ACCOUNTING PRONOUNCEMENT***

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 update addressed the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The main provisions of this guidance included the presentation of two classes of net assets versus the previously required three. This guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2019 And 2018

A recap of the net asset reclassifications driven by the adoption of ASU 2016-14 as of September 30, 2018 is as follows:

<u>Net Asset Classifications</u>	<u>ASU 2016-14 Classification</u>		<u>Total Net Assets</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	
As previously presented:			
Unrestricted	\$12,091,348	\$ -	\$12,091,348
Temporarily Restricted	-	4,911,338	4,911,338
Permanently Restricted	-	-	-
Net assets previously presented	<u>\$12,091,348</u>	<u>\$4,911,338</u>	<u>\$17,002,686</u>

### ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

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 to the contributions received by World Relief for fiscal years beginning after December 15, 2018, and it is effective for contributions made for fiscal years beginning after December 15, 2019. 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, 2020. 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, 2019 and 2018, investments consisted of the following:

	<u>2019</u>		<u>2018</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Certificates of deposit	<u>\$1,009,825</u>	<u>\$1,009,825</u>	<u>\$ 694,328</u>	<u>\$ 694,328</u>

Investment return amounted to \$75,105 in 2019 and \$56,064 in 2018 and is included in other revenue in the Statement of Activities.

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

**September 30, 2019 And 2018**

**(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, 2019 and 2018 are as follows:

	<b>2019</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>				
Certificate of Deposit	<u>\$1,009,825</u>	<u>\$ -</u>	<u>\$1,009,825</u>	<u>\$ -</u>

	<b>2018</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>				
Certificate of Deposit	<u>\$694,328</u>	<u>\$ -</u>	<u>\$694,328</u>	<u>\$ -</u>

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

**September 30, 2019 And 2018**

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**(4) CONTRIBUTIONS RECEIVABLE**

As of September 30, 2019 and 2018, contributors to World Relief have made unconditional promises to give as follows:

	<u>2019</u>	<u>2018</u>
Within one year	\$ 334,500	\$ 530,868
One to five years	<u>-</u>	<u>334,500</u>
Gross contributions receivable	334,500	865,368
Less: present value discount	<u>-</u>	<u>50,000</u>
Total contributions receivable	<u>\$ 334,500</u>	<u>\$ 815,368</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, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Microenterprise loans (net of allowance of \$128,137 in 2019 and \$170,591 in 2018)	<u>\$2,521,917</u>	<u>\$2,439,141</u>

A summary of the activity in the allowance for loan losses for the years ended September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	\$ 170,591	\$ 99,880
Provision for loan losses	101,238	74,447
Loans written off	<u>(143,692)</u>	<u>(3,736)</u>
	<u>\$ 128,137</u>	<u>\$ 170,591</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 \$882,319 and \$678,552, as of September 30, 2019 and 2018, 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, 2019 And 2018

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### RECEIVABLE - OTHER

Included in Receivable – Other on the Statement of Financial Position is World Relief’s 43% interest in a trust that was formed from the bankruptcy of a former agricultural loan program partner. Assets of the trust are primarily made up of one property that is being marketed for sale. The appraised value of World Relief’s interest in the trust as of September 30, 2019 and 2018 is approximately \$621,000. Management has placed a valuation allowance of approximately \$120,000 on its interest as of September 30, 2019, and 2018.

### (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, 2019 and 2018, and as such, is carried at cost. For the years ended September 30, 2019 and 2018, 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 these investments at September 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
UOB	\$ 49,030	\$ 49,030
Turame Community Bank	<u>594,556</u>	<u>618,946</u>
	<u>\$ 643,586</u>	<u>\$ 667,976</u>

### (7) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2019</u>	<u>2018</u>
Land	\$ 26,660	\$ 26,668
Buildings	1,648,523	1,620,938
Work-in-progress	-	490,360
Computers, office and other equipment	5,574,503	4,781,345
Vehicles	<u>2,416,355</u>	<u>2,421,649</u>
	9,666,041	9,340,960
Less: accumulated depreciation	<u>5,629,418</u>	<u>5,130,039</u>
Net value	<u>\$4,036,623</u>	<u>\$4,210,921</u>

During fiscal year 2019, World Relief entered into an agreement to sell a building in Mozambique for \$200,000. World Relief recorded an impairment loss on the building of \$112,651 during the year ended September 30, 2018.



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**September 30, 2019 And 2018**

**(8) DEBT**

A summary of long-term debt is as follows:

	<u>2019</u>	<u>2018</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 net assets without restrictions and assets coverage ratio. World Relief complies with such covenants as of September 30, 2019 and 2018.	\$ 1,140,397	\$ 1,215,733
<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.	100,000	300,000
\$250,000 loan payable to a foundation (an existing shareholder) at an interest rate of 7.7% on the outstanding balance. The loan was payable in full on November 23, 2018.	-	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>1,171,341</u>	<u>1,297,510</u>
Total microenterprise/agricultural debt	<u>1,271,341</u>	<u>1,847,510</u>
Total debt	<u>\$ 2,411,738</u>	<u>\$ 3,063,243</u>

Microenterprise/Agricultural development loans by location are as follows:

	<u>2019</u>	<u>2018</u>
Hekima	\$ 1,171,341	\$ 1,547,510
Nicaragua	<u>100,000</u>	<u>300,000</u>
Total debt	<u>\$ 1,271,341</u>	<u>\$ 1,847,510</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 was charged on outstanding balances at the one-month LIBOR plus 2.75%. There were no outstanding balances on this line of credit during the year ended September 30, 2018.

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

**September 30, 2019 And 2018**

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

	<u>General</u>	<u>Microenterprise/ Agricultural Development</u>	<u>Total</u>
2020	\$ 70,483	\$ 100,000	\$ 170,483
2021	<u>1,069,914</u>	<u>1,171,341</u>	<u>2,241,255</u>
	<u>\$1,140,397</u>	<u>\$1,271,341</u>	<u>\$2,411,738</u>

Interest expense, for the years ended September 30, 2019 and 2018 was approximately \$80,632 and \$142,000, respectively.

**(9) NET ASSETS**

Net assets without donor restrictions at September 30, 2019 and 2018 consist of the following:

	<u>2019</u>	<u>2018</u>
Microenterprise/agricultural development activities	\$ 1,584,722	\$ 1,575,137
General net assets without donor restrictions	9,260,103	9,872,211
Non-controlling interest	<u>686,767</u>	<u>644,000</u>
	<u>\$ 11,531,592</u>	<u>\$ 12,091,348</u>

Net assets with donor restrictions are restricted to a specific purpose as designated by the donors. As of September 30, 2019, and 2018 such net assets are available for the following purposes:

	<u>2019</u>	<u>2018</u>
USA Programs	\$ 2,037,795	\$ 2,892,417
Overseas Programs	1,186,756	1,664,379
Disaster Response	116,739	354,542
General	<u>30,411</u>	<u>-</u>
	<u>\$ 3,371,701</u>	<u>\$ 4,911,338</u>

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

Purposes restrictions accomplished:

USA Programs	\$ 6,843,661
Overseas Programs	7,718,416
Disaster Response	293,641
General Programs	<u>836,963</u>
	<u>\$ 15,692,681</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2019 And 2018

### (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 \$357,856 and \$750,718 to the plan in 2019 and 2018, respectively.

### (11) COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

World Relief incurred approximately \$1,662,421 and \$1,621,000 of rent expense related to leases for facilities for the years ending September 30, 2019 and 2018, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2019, were as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2020	\$ 687,000
2021	421,000
2022	264,000
2023	272,000
2024 and thereafter	<u>304,000</u>
	<u>\$ 1,948,000</u>

### (12) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2019 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>2019 Total</u>
Agriculture	\$ -	\$ 54,395	\$ 114,294	\$ 16,228	\$ 3,518,261	\$ 3,228	\$ 47,302	\$ -	\$ 3,753,708
Anti-Trafficking	-	-	358,707	-	-	-	-	40,000	398,707
Economy, Industry & Income	-	148,904	-	38,702	1,430,378	-	94,337	63,916	1,776,237
Education	-	51,741	74,690	4,795	1,595,800	-	425,116	70,012	2,222,154
Emergency Relief	-	-	275,521	79,572	629,551	30,989	175,613	128,729	1,319,975
Health	-	247,047	-	68,271	4,623,556	-	1,998,544	66,454	7,003,872
Integrated Projects	9,398	407,487	1,355	57,417	2,207,614	386,350	472,423	337,896	3,879,940
Local Partner Strengthening	675	-	588,936	242,024	551,953	-	369,893	193,036	1,946,517
Peace Building	-	49,732	-	-	687,653	-	-	-	737,385
Refugee Resettlement	-	100,370	23,377,238	-	-	-	-	-	23,477,608
Service to Immigrants	-	-	3,506,866	-	-	-	-	-	3,506,866
Water & Sanitation	-	-	-	-	2,392,999	-	19,817	-	2,412,816
2019 Totals	<u>\$ 10,073</u>	<u>\$ 1,059,676</u>	<u>\$ 28,297,607</u>	<u>\$ 507,009</u>	<u>\$ 17,637,765</u>	<u>\$ 420,567</u>	<u>\$ 3,603,045</u>	<u>\$ 900,043</u>	<u>\$ 52,435,785</u>
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>

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*NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)*

**September 30, 2019 And 2018**

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

Support and revenue by type for the years ending September 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Private contributions – Without donor restrictions	\$ 4,869,288	\$ 4,782,017
Private restricted (International – except Emergency)	6,170,776	7,978,426
Private restricted (Emergency Relief)	1,125,855	1,052,543
Private restricted (U.S.)	5,989,039	4,428,907
Private restricted (General)	<u>867,374</u>	<u>1,280,465</u>
<b>Subtotal Private Contributions</b>	<u>19,022,332</u>	<u>19,522,358</u>
Government grants (Federal to U.S. – direct receipt)	13,021,243	15,281,763
Government grants (Federal to U.S. – sub award)	4,028,168	5,093,038
Government grants (Federal to International – direct receipt)	5,899,454	8,409,554
Government grants (Federal to International – sub award)	<u>159,049</u>	<u>49,049</u>
<b>Subtotal Government Grants</b>	<u>23,107,914</u>	<u>28,833,404</u>
U.S state and local government grants	4,121,776	3,659,073
Non-U.S. public grants	<u>8,765,358</u>	<u>8,820,585</u>
<b>Subtotal Other Public Grants</b>	<u>12,887,134</u>	<u>12,479,658</u>
Fees for services (U.S.)	2,762,035	3,038,870
Fees for services (International)	<u>1,321,479</u>	<u>990,013</u>
<b>Subtotal Fees for Services</b>	<u>4,083,514</u>	<u>4,028,883</u>
Gift in kind (International)	-	42,940
Gift in kind (U.S.)	927,596	987,239
Miscellaneous income	1,007,569	857,518
Investments and gains/losses	<u>124,148</u>	<u>10,592</u>
<b>Subtotal Other Income</b>	<u>2,059,313</u>	<u>1,898,289</u>
<b>Total Support and Revenue</b>	<u>\$ 61,160,207</u>	<u>\$ 66,762,592</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2019 And 2018

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### (14) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

At September 30, 2019, financial assets and liquidity resources available within one year for general expenditure such as operating expenses and grant expenses, were as follows:

Financial Assets	<u>2019</u>
Cash and cash equivalents	\$ 9,261,761
Investments – current	1,009,825
Receivables	4,372,430
Microenterprise and agricultural loans	<u>2,484,291</u>
Total financial assets available within one year	17,128,307
Less those unavailable for general expenditure within one year due to donor-imposed restrictions	<u>(3,371,701)</u>
Total financial assets available to management for General expenditure within one year	<u>\$13,756,606</u>

As part of World Relief's liquidity management, it has a practice to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

### (15) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, February 12, 2020, have been evaluated in the preparation of the financial statements.