

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

*FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

**SEPTEMBER 30, 2016**

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## TABLE OF CONTENTS

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	<u>Page</u>
<b>REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS</b>	1
<b>FINANCIAL STATEMENTS</b>	
<i>Consolidated Statements of Financial Position,</i> September 30, 2016 and 2015	2
<i>Consolidated Statement of Activities and Changes in Net Assets,</i> Year ended September 30, 2016 with summarized information for 2015	3
<i>Consolidated Statement of Changes in Unrestricted Net Assets,</i> Years ended September 30, 2016 and 2015	4
<i>Consolidated Statements of Cash Flows,</i> Years ended September 30, 2016 and 2015	5
<i>Consolidated Statement of Functional Expenses,</i> Year ended September 30, 2016 with summarized information for 2015	7
<i>Notes to Financial Statements</i>	8

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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 financial statements World Relief Corporation of National Association of Evangelicals (“World Relief”) which comprise the statement of financial position as of September 30, 2016, and the related statements of activities and changes in net assets, and of cash flows for the year then ended and the related notes to the financial statements.

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

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of World Relief as of September 30, 2016, 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 2015 financial statements and our report dated April 27, 2016 expressed an unqualified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
April 20, 2017**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**September 30, 2016 And 2015**

<b>ASSETS</b>	<b><u>2016</u></b>	<b><u>2015</u></b>
Cash and cash equivalents	\$ 7,216,274	\$ 5,923,685
Investments, at market <i>(Note 3)</i>	182,751	224,494
Receivables:		
Grants	5,347,328	4,722,217
Contributions <i>(Note 5)</i>	1,055,000	737,500
Other	51,827	118,301
Microenterprise and agricultural loans – net <i>(Note 6)</i>	2,432,915	3,083,785
Prepaid expenses and other assets	629,151	435,178
Minority interest in net assets <i>(Note 7)</i>	7,321,465	5,681,726
Plant and equipment – net of accumulated depreciation <i>(Note 8)</i>	4,485,559	4,062,810
Assets of discontinued operations <i>(Note 2)</i>	<u>-</u>	<u>2,667,343</u>
<b>Total assets</b>	<b><u>\$ 28,722,270</u></b>	<b><u>\$ 27,657,039</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 5,261,472	\$ 4,035,111
Deferred revenue	646,818	231,496
Line of credit <i>(Note 9)</i>	-	1,500,000
Long-term debt <i>(Note 9)</i> :		
General	3,477,006	1,676,443
Microenterprise/Agricultural development	1,424,683	2,075,596
Other liabilities	715,130	967,094
Liabilities of discontinued operations <i>(Note 2)</i>	<u>-</u>	<u>744,190</u>
<b>Total liabilities</b>	<b><u>11,525,109</u></b>	<b><u>11,229,930</u></b>
Net Assets		
Unrestricted <i>(Note 10)</i>		
Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding	1,000	1,000
Non-controlling interest	13,290	899,667
Net assets	<u>14,257,471</u>	<u>12,310,569</u>
<b>Total unrestricted net assets</b>	<b>14,271,761</b>	<b>13,211,236</b>
Temporarily restricted net assets <i>(Note 10)</i>	<u>2,925,400</u>	<u>3,215,873</u>
<b>Total net assets</b>	<b><u>17,197,161</u></b>	<b><u>16,427,109</u></b>
	<b><u>\$ 28,722,270</u></b>	<b><u>\$ 27,657,039</u></b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year Ended September 30, 2016 With Summarized Information For 2015**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>Support and Revenue</b>				
Private contributions	\$ 2,734,913	\$ 15,696,470	\$ 18,431,383	\$ 15,205,321
Government and other public grants	46,776,420	-	46,776,420	42,589,050
MED banking revenue	870,919	-	870,919	999,912
Other revenue	5,231,367	-	5,231,367	4,859,333
Net assets released from restrictions <i>(Note 10)</i>	<u>15,986,943</u>	<u>(15,986,943)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue <i>(Note 14)</i></b>	<u>71,600,562</u>	<u>(290,473)</u>	<u>71,310,089</u>	<u>63,653,616</u>
<b>Expenses</b>				
Program ministries				
USA programs	39,117,428	-	39,117,428	34,773,775
Overseas programs	17,325,491	-	17,325,491	16,700,061
Disaster response	<u>3,520,440</u>	<u>-</u>	<u>3,520,440</u>	<u>2,784,156</u>
<b>Total program ministries</b>	<u>59,963,359</u>	<u>-</u>	<u>59,963,359</u>	<u>54,257,992</u>
Support Ministries				
General and administrative	7,059,183	-	7,059,183	6,730,223
Fundraising	<u>4,146,330</u>	<u>-</u>	<u>4,146,330</u>	<u>3,566,997</u>
<b>Total support ministries</b>	<u>11,205,513</u>	<u>-</u>	<u>11,205,513</u>	<u>10,297,220</u>
<b>Total expenses</b>	<u>71,168,872</u>	<u>-</u>	<u>71,168,872</u>	<u>64,555,212</u>
<b>Excess of revenue over expenses</b>	431,690	(290,473)	141,217	(901,596)
<b>Other Changes</b>				
Gain (loss) on minority interest in net assets, net	(147,380)	-	(147,380)	11,898
Gain on sale of fixed assets	769,816	-	769,816	-
Gain (loss) on discontinued operations	<u>6,399</u>	<u>-</u>	<u>6,399</u>	<u>(96,249)</u>
<b>Change in net assets</b>	1,060,525	(290,473)	770,052	(985,947)
<b>Net Assets</b>				
Beginning of year	<u>13,211,236</u>	<u>3,215,873</u>	<u>16,427,109</u>	<u>17,413,056</u>
<b>End of year</b>	<u>\$ 14,271,761</u>	<u>\$ 2,925,400</u>	<u>\$ 17,197,161</u>	<u>\$ 16,427,109</u>

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

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

**Years Ended September 30, 2016 And 2015**

	<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, 2014	\$ 12,718,709	\$ 930,074	\$ 13,648,783
Change in unrestricted net assets	<u>(407,140)</u>	<u>(30,407)</u>	<u>(437,547)</u>
Unrestricted net assets, September 30, 2015	12,311,569	899,667	13,211,236
Sale of majority held investment	(47,892)	(884,650)	(932,542)
Change in unrestricted net assets	<u>1,994,794</u>	<u>(1,727)</u>	<u>1,993,067</u>
Unrestricted net assets, September 30, 2016	<u>\$ 14,258,471</u>	<u>\$ 13,290</u>	<u>\$ 14,271,761</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Years Ended September 30, 2016 And 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Changes in net assets</i>	\$ 770,052	\$ (985,947)
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	400,127	427,132
Gain on disposal of fixed assets	(769,816)	(5,225)
Bad debt expense	106,374	27,970
Net realized and unrealized loss on investments	-	1,640
Unrealized loss on foreign exchange rates	232,752	235,014
Loss on sale of majority held investment	47,892	-
Minority interest in net assets sold	884,650	-
Equity gain on investment in microfinance institution	(785,162)	(11,898)
(Increase) decrease in		
Receivables	(876,137)	(1,352,392)
Prepaid expenses and other assets	(193,973)	152,851
Increase (decrease) in		
Accounts payable and accrued liabilities	1,226,361	507,829
Deferred revenue	<u>415,322</u>	<u>(132,165)</u>
Net cash provided by (used in) operating activities – continuing operations	1,458,442	(1,135,191)
Cash used in operating activities – discontinued operations	<u>(25,063)</u>	<u>(141,236)</u>
<b>Net cash provided by (used in) operating activities</b>	<u>1,433,379</u>	<u>(1,276,427)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from the sale of investments, net	41,743	170,385
Proceeds from the sale of minority interest	-	484,000
Proceeds from sale of fixed assets	1,014,530	-
Proceeds from sale of majority held investment	143,533	-
Purchases of fixed assets	(1,093,171)	(437,791)
Change in cash from minority interest in net assets sold	(1,361,431)	-
Net change in microenterprise and agricultural activities:		
Loans	413,837	(132,231)
Other liabilities	<u>(251,964)</u>	<u>(26,806)</u>
Net cash provided by (used in) investing activities – continuing operations	(1,092,923)	57,557
Cash provided by investing activities – discontinued operations	<u>337,170</u>	<u>169,354</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(755,753)</u>	<u>226,911</u>

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

*STATEMENTS OF CASH FLOWS – (Continued)*

**Year Ended September 30, 2016 With Comparative Totals For 2015**

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from lines of credit and notes payable	\$ 2,537,939	\$ 2,247,351
Repayments of lines of credit and notes payable	<u>(2,964,801)</u>	<u>(1,134,409)</u>
Net cash provided by (used in) financing activities – continuing operations	(426,862)	1,112,942
Cash provided by (used in) financing activities – discontinued operations	<u>(148,209)</u>	<u>10,369</u>
<b>Net cash provided by (used in) investing activities</b>	<u>(575,071)</u>	<u>1,123,311</u>
<b>Net increase in cash and cash equivalents</b>	102,555	73,795
<b>CASH, CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the year	<u>7,113,719</u>	<u>7,039,924</u>
Cash and cash equivalents at the end of the year	7,216,274	7,113,719
Less: cash and cash equivalents of discontinued operations	<u>-</u>	<u>1,190,034</u>
Cash and cash equivalents at the end of the year	<u>\$ 7,216,274</u>	<u>\$ 5,923,685</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest (excluding discontinued operations)	<u>\$ 164,038</u>	<u>\$ 176,083</u>



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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended September 30, 2016 With Summarized Information For 2015**

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2016 Total	2015 Comparative Total	General And Administrative	Fundraising	2016 Total	2015 Comparative Total	2016 Total	2015 Comparative Total
Salaries and Related Expenses	\$ 14,767,288	\$5,872,220	\$ 542,082	\$ 21,181,590	\$ 20,238,894	\$3,727,881	\$ 1,915,531	\$ 5,643,412	\$ 5,335,160	\$ 26,825,002	\$ 25,574,054
Personnel Benefits	3,762,891	1,142,329	108,010	5,013,230	4,521,084	817,771	419,054	1,236,825	1,321,279	6,250,055	5,842,363
Travel	570,404	1,269,501	103,170	1,943,075	1,825,480	323,318	387,979	711,297	644,121	2,654,372	2,469,601
Board Expenses	-	-	-	-	-	16,918	-	16,918	20,468	16,918	20,468
Communications and Printing	368,372	375,877	46,283	790,532	780,634	76,099	353,036	429,135	523,259	1,219,667	1,303,893
Office Expenses	757,619	467,105	21,554	1,246,278	1,158,864	87,752	78,888	166,640	161,778	1,412,918	1,320,642
Equipment Costs	332,500	916,000	155,465	1,403,965	1,435,162	56,939	27,152	84,091	23,738	1,488,056	1,458,900
Personnel Expenses	179,863	561,814	26,809	768,486	689,467	210,951	107,609	318,560	204,139	1,087,046	893,606
Consulting and Professional Fees	815,277	553,972	240,630	1,609,879	1,429,774	682,910	684,293	1,367,203	951,638	2,977,082	2,381,412
Computer Expense	184,311	17,117	409	201,837	212,371	131,000	56,062	187,062	89,085	388,899	301,456
Books and Subscriptions	49,746	35,750	30	85,526	55,062	1,258	30,532	31,790	27,406	117,316	82,468
Property and Liability Insurance	151,592	-	-	151,592	146,183	205,319	-	205,319	77,748	356,911	223,931
Interest Expense	-	65,313	-	65,313	49,646	94,801	3,924	98,725	126,437	164,038	176,083
Foreign Exchange	-	262,767	(14,757)	248,010	242,243	(15,258)	-	(15,258)	(7,229)	232,752	235,014
Depreciation and Amortization	-	180,965	-	180,965	192,740	219,162	-	219,162	208,380	400,127	401,120
Bad Debt Expense	3,270	102,965	-	106,235	27,970	139	-	139	-	106,374	27,970
Occupancy Costs	1,227,298	506,295	51,090	1,784,683	1,608,821	159,713	21,289	181,002	180,101	1,965,685	1,788,922
Other Expenses	177,177	357,548	57,554	592,279	330,676	190,259	23,586	213,845	316,169	806,124	646,845
Microfinance related	-	16,016	-	16,016	63	-	-	-	-	16,016	63
Initial Refugee Grants	6,202,654	-	-	6,202,654	5,328,123	-	-	-	-	6,202,654	5,328,123
Other Grants & Specific Assistance	8,690,044	219,374	552,049	9,461,467	7,480,702	-	-	-	-	9,461,467	7,480,702
Other Program Costs	25	3,599,338	546,946	4,146,309	5,106,503	-	-	-	-	4,146,309	5,106,503
Strategic Partnership	-	437,788	1,083,116	1,520,904	627,657	72,251	37,395	109,646	93,543	1,630,550	721,200
Gifts-in-kind	<u>877,097</u>	<u>365,437</u>	<u>-</u>	<u>1,242,534</u>	<u>769,873</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,242,534</u>	<u>769,873</u>
<b>Total Expenses</b>	<b>\$ 39,117,428</b>	<b>\$17,325,491</b>	<b>\$ 3,520,440</b>	<b>\$ 59,963,359</b>	<b>\$ 54,257,992</b>	<b>\$7,059,183</b>	<b>\$ 4,146,330</b>	<b>\$ 11,205,513</b>	<b>\$ 10,297,220</b>	<b>\$ 71,168,872</b>	<b>\$ 64,555,212</b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2016 And 2015

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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 99% shareholder in a microenterprise entity in the Democratic Republic of Congo (Hekima).

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 \$3.3 million and \$5.5 million, for the years ended September 30, 2016 and 2015, respectively, including \$1.3 million and \$3.4 million in 2016 and 2015, respectively, which includes non-controlling interests, relating to the majority-owned microenterprise entities.

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 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 \$3.1 million and \$4.7 million of cash and cash equivalents held in foreign banking institutions as of September 30, 2016 and 2015. The funds held in foreign countries are uninsured.

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

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

**September 30, 2016 And 2015**

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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, 2016 and 2015 was a decrease to net assets of \$232,752 and \$235,014, 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, 2013 - 2015) or expected to be taken in World Relief’s September 30, 2016 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.

### ***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.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

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

**September 30, 2016 And 2015**

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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.”*

### ***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 \$1,242,534 in 2016 and \$769,873 in 2015. 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.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

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

**September 30, 2016 And 2015**

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### ***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 2016 and 2015. 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, 2015, from which the summarized information was derived.

### ***RECLASSIFICATIONS***

Certain reclassifications were made to the 2015 financial statements to conform to the 2016 presentation.

## **(2) DISCONTINUED OPERATIONS**

In 2016, World Relief sold 1,333 shares in Turame Community Bank (the "MFI"), a for profit microfinance institution extending services to the poor of Burundi, resulting in a reduction in their ownership stake to 44.3% as of September 30, 2016. The MFI was a consolidated entity in World Relief's operations in 2015 as a result of World Relief owning greater than 50% of its outstanding shares before the sale. As required by FASB ASC 205, Presentation of Financial Statements, the assets and liabilities, and the operating results of the MFI are reported in discontinued operations for the years ended September 30, 2016 and 2015. Proceeds from the sale were \$143,533 and a loss in the amount of \$47,892 was incurred and is included within gain (loss) on minority interest in net assets on the statement of activities. World Relief's remaining 44.3% ownership interest in the MFI is being reported using the equity method of accounting, as required (*Note 7*).

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

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**September 30, 2016 And 2015**

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Assets and liabilities of discontinued operations as of September 30, 2015 are as follows:

<u>Assets</u>	<u>2015</u>
Cash and cash equivalents	\$1,190,034
Other receivables	7,177
Loans receivable - net	1,361,507
Prepaid expenses and other assets	27,563
Plant and equipment – net of accumulated depreciation	<u>81,062</u>
<b>Total Assets of Discontinued Operations</b>	<b><u>\$2,667,343</u></b>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	\$ 248,875
Other Liabilities	235,098
Long-term debt	<u>260,217</u>
<b>Total Liabilities of Discontinued Operations</b>	<b><u>\$ 744,190</u></b>

**(3) INVESTMENTS**

At September 30, 2016 and 2015, investments consisted of the following:

**MARKETABLE SECURITIES**

	<u>2016</u>		<u>2015</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds	\$ -	\$ -	\$ 128,050	\$ 106,322
Certificates of Deposit	32,550	32,550	118,172	118,172
Other Investment	<u>150,201</u>	<u>150,201</u>	<u>-</u>	<u>-</u>
	<u>\$ 182,751</u>	<u>\$ 182,751</u>	<u>\$ 246,222</u>	<u>\$ 224,494</u>

At September 30, 2015 investments had unrealized losses of \$21,728.

**INVESTMENT RETURN**

The following summarizes the investment return for the year ended September 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Net investment income	\$ 779	\$ 4,571
Net realized gain (loss)	(21,728)	767
Net unrealized gain (loss)	<u>21,728</u>	<u>(2,407)</u>
	<u>\$ 779</u>	<u>\$ 2,931</u>

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

*NOTES TO FINANCIAL STATEMENTS – (Continued)*

**September 30, 2016 And 2015**

**(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.

The summary of inputs used to value World Relief’s investments as of September 30, 2016 and 2015 are as follows:

	<b>2016</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	\$ 32,550	\$ 32,550	\$ -	\$ -
Other Investment	<u>150,201</u>	<u>-</u>	<u>-</u>	<u>150,201</u>
	<u><u>\$ 182,751</u></u>	<u><u>\$ 32,550</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 150,201</u></u>

	<b>2015</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	\$ 106,322	\$ 106,322	\$ -	\$ -
Certificate of Deposit	<u>118,172</u>	<u>118,172</u>	<u>-</u>	<u>-</u>
	<u><u>\$ 224,494</u></u>	<u><u>\$ 224,494</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

### September 30, 2016 And 2015

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, 2015	\$ -
Purchases	<u>150,201</u>
Balance, September 30, 2016	<u>\$ 150,201</u>

#### (5) CONTRIBUTIONS RECIEVABLE

As of September 30, 2016 and 2015, contributors to World Relief have made unconditional promises to give as follows:

	<u>2016</u>	<u>2015</u>
Within one year	\$1,055,000	\$ 250,000
One to five years	<u>-</u>	<u>500,000</u>
Gross contributions receivable	1,055,000	750,000
Less: Present value discount	<u>-</u>	<u>(12,500)</u>
Total contributions receivable	<u>\$1,055,000</u>	<u>\$ 737,500</u>

#### (6) 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 and agricultural loans receivable, net at September 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Microenterprise loans (net of allowance of \$55,740 in 2016 and \$56,863 in 2015)	\$ 1,642,113	\$ 2,183,042
Loans to local Nicaraguan agricultural loan partners (net of allowance of \$142,165 in 2015)	<u>790,802*</u>	<u>900,743</u>
	<u>\$ 2,432,915</u>	<u>\$ 3,083,785</u>

Microenterprise loan balances in each location are as follows:

	<u>2016</u>	<u>2015</u>
Hekima	<u>\$ 1,642,113</u>	<u>\$ 2,183,042</u>



# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

### September 30, 2016 And 2015

A summary of the activity in the allowance for loan losses for the years ended September 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 199,028	\$ 182,742
Provision for loan losses	102,777	26,417
Loans written off	<u>(246,065)</u>	<u>(10,131)</u>
	<u>\$ 55,740</u>	<u>\$ 199,028</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 \$715,130 and \$967,094, as of September 30, 2016 and 2015, respectively net of discontinued operations and is included in other liabilities in the Statement of Financial Position.

\*At September 30, 2016, the balance due is from one local partner. In connection with the establishment of two trusts, subsequent to year-end, World Relief agreed to forgive approximately \$213,000 of their loan. The trusts' assets consist primarily of land and are expected to complete liquidation over an initial term of 28 months. However, the trust agreements are subject to extension in the event the assets are not sold by the end of the initial term.

### (7) MINORITY INTEREST IN NET ASSETS

Other investments represent World Relief's investment in three 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, 2016 and 2015. World Relief's investment in KREDIT, a for-profit bank for the poor in Cambodia was 27.9% as of September 30, 2016 and 2015. During 2016, World Relief sold 1,333 of its shares in Turame Community Bank, a for profit microfinance institution extending services to the poor of Burundi, resulting in a reduction in ownership stake to 44.3% as of September 30, 2016. Turame Community Bank was consolidated in 2015. The carrying amount of each investment at September 30, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
UOB	\$ 49,030	\$ 49,030
Turame Community Bank	815,929	-
KREDIT	<u>6,456,506</u>	<u>5,632,696</u>
	<u>\$ 7,321,465</u>	<u>\$ 5,681,726</u>

During 2015, World Relief sold approximately 90% of its investment in UOB. Proceeds from the sale, which approximated cost, amounted to \$484,000.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2016 And 2015**

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### (8) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 674	\$ 866
Buildings	2,046,760	2,401,199
Work-in-progress	1,883,979	1,297,052
Computers, office and other equipment	3,493,852	3,494,899
Vehicles	<u>3,228,158</u>	<u>2,983,297</u>
	10,653,423	10,177,313
Less: accumulated depreciation	<u>6,167,864</u>	<u>6,114,503</u>
Net value	<u>\$ 4,485,559</u>	<u>\$ 4,062,810</u>

### (9) DEBT

A summary of long-term debt is as follows:

	<u>2016</u>	<u>2015</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, 2016. Proceeds from this term loan were used to repay outstanding term loans noted above.	\$ 1,358,741	\$ 1,412,429
\$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 October 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.	18,265	108,149
\$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.	2,100,000	-
Other notes payable	<u>-</u>	<u>155,865</u>
Total General Debt	<u>3,477,006</u>	<u>1,676,443</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2016 And 2015**

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### Microenterprise/Agricultural Development

\$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*).

	700,000	900,000
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Various other loans payable with maturities through 2018 and interest rates ranging from 0% - 6.5%.

	<u>724,683</u>	<u>1,175,596</u>
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Total microenterprise/agricultural debt

	<u>1,424,683</u>	<u>2,075,596</u>
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Total debt

	<u>\$ 4,901,689</u>	<u>\$ 3,752,039</u>
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Microenterprise/Agricultural development loans by location are as follows:

	<u>2016</u>	<u>2015</u>
Hekima	\$ 724,683	\$ 1,175,596
Nicaragua	<u>700,000</u>	<u>900,000</u>
Total debt	<u>\$ 1,424,683</u>	<u>\$ 2,075,596</u>

World Relief has available a general \$2,000,000 line of credit with a domestic bank that expires on June 30, 2017. 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, 2016. \$1,500,000 was outstanding on this line of credit as of September 30, 2015.

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, 2016.

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

	<u>General</u>	<u>Microenterprise/ Agricultural Development</u>	<u>Total</u>
2017	\$ 77,174	\$ 706,683	\$ 783,857
2018	62,539	418,000	480,539
2019	2,166,392	200,000	2,366,392
2020	70,483	100,000	170,483
2021	<u>1,100,418</u>	<u>-</u>	<u>1,100,418</u>
	<u>\$ 3,477,006</u>	<u>\$ 1,424,683</u>	<u>\$ 4,901,689</u>

Interest expense, for the years ended September 30, 2016 and 2015 was approximately \$164,000 and \$176,100, respectively.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2016 And 2015

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### (10) NET ASSETS

Unrestricted net assets at September 30, 2016 and 2015 consist of the following:

	<u>2016</u>	<u>2015</u>
Microenterprise/agricultural development activities	\$ 7,885,855	\$ 7,597,859
General unrestricted	6,372,616	4,713,710
Non-controlling interest	<u>13,290</u>	<u>899,667</u>
	<u>\$ 14,271,761</u>	<u>\$ 13,211,236</u>

Temporarily restricted net assets at September 30, 2016 and 2015 are available for the following purposes:

	<u>2016</u>	<u>2015</u>
USA Programs	\$ 2,248,223	\$ 1,600,556
Overseas Programs	464,606	981,711
Disaster Response	212,571	616,235
General	<u>-</u>	<u>17,371</u>
	<u>\$ 2,925,400</u>	<u>\$ 3,215,873</u>

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

Purposes restrictions accomplished:

USA Programs	\$ 3,378,926
Overseas Programs	6,356,377
Disaster Response	1,763,103
General Programs	<u>4,488,537</u>
	<u>\$ 15,986,943</u>

### (11) 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 \$618,265 and \$546,696 to the plan in 2016 and 2015, respectively.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2016 And 2015

### (12) COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

World Relief incurred approximately \$1,538,000 and \$1,402,000 of rent expense related to leases for facilities for the years ending September 30, 2016 and 2015, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2016, were as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2017	\$ 461,000
2018	332,000
2019	193,000
2020	153,000
2021	<u>110,000</u>
	<u>\$1,249,000</u>

### (13) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2016 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>Southern Africa</u>	<u>South And Southeast Asia</u>	<u>2016 Total</u>
Agriculture	\$ -	\$ 22,313	\$ -	\$ 209,179	\$ 1,047,544	\$ 112,684	\$ 14,630	\$ 1,406,350
Anti-Trafficking	-	-	267,774	-	2,500	-	60,529	330,803
Child Development	-	-	-	-	1,578,987	497,605	160,581	2,237,173
Emergency Relief	1,019,502	27,216	-	-	4,002,955	89,765	63,291	5,202,729
HIV/AIDS	-	-	-	(35)	235,905	463,540	44,880	744,290
Local Partner Strengthening	249,485	63,823	154,198	126,163	913,933	457,021	349,688	2,314,311
Maternal And Child Health	-	-	-	179,155	4,483,589	200,459	210,427	5,073,630
Micro Economic Development	-	182,476	46,607	7,922	1,031,228	413,074	197,057	1,878,364
Refugee Resettlement	-	-	35,693,127	-	48,198	-	-	35,741,325
Service to Immigrants	-	-	2,908,301	-	-	-	-	2,908,301
Integrated Programming	<u>243,581</u>	<u>451,813</u>	<u>-</u>	<u>19,489</u>	<u>973,988</u>	<u>73,999</u>	<u>363,213</u>	<u>2,126,083</u>
2016 Totals	<u>\$ 1,512,568</u>	<u>\$ 747,641</u>	<u>\$ 39,070,007</u>	<u>\$ 541,873</u>	<u>\$ 14,318,827</u>	<u>\$ 2,308,147</u>	<u>\$ 1,464,296</u>	<u>\$ 59,963,359</u>
2015 Totals	<u>\$ 557,940</u>	<u>\$ 600,835</u>	<u>\$ 34,773,648</u>	<u>\$ 696,412</u>	<u>\$ 13,296,670</u>	<u>\$ 3,035,739</u>	<u>\$ 1,296,748</u>	<u>\$ 54,257,992</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2016 And 2015**

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### (14) SUPPORT AND REVENUE BY TYPE

Support and revenue by type for the years ending September 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Private contributions – Unrestricted	\$ 2,734,913	\$ 2,950,709
Private restricted (International – except Emergency)	6,638,204	6,376,544
Private restricted (Emergency Relief)	1,359,439	1,750,704
Private restricted (U.S.)	4,195,536	3,154,934
Private restricted (General)	<u>3,503,291</u>	<u>972,430</u>
<b>Subtotal Private Contributions</b>	<u>18,431,383</u>	<u>15,205,321</u>
Government grants (Federal to U.S. – direct receipt)	28,694,937	23,409,784
Government grants (Federal to International – direct receipt)	3,529,126	3,387,485
Government grants (Federal to U.S. – sub award)	5,332,906	5,393,637
Government grants (Federal to International – sub award)	<u>212,151</u>	<u>820,452</u>
<b>Subtotal Government Grants</b>	<u>37,769,120</u>	<u>33,011,358</u>
Other grants/contracts (U.S. to U.S.)	2,103,521	2,637,717
Other grants/contracts (International to International)	<u>6,903,779</u>	<u>6,939,975</u>
<b>Subtotal Other Grants/Contracts</b>	<u>9,007,300</u>	<u>9,577,692</u>
Fees for services (U.S.)	2,902,438	2,739,677
Fees for services (International)	<u>870,919</u>	<u>999,912</u>
<b>Subtotal Fees for Services</b>	<u>3,773,357</u>	<u>3,739,589</u>
Gift in kind (U.S.)	363,895	183,802
Gift in kind (Emergency Relief)	877,097	586,071
Miscellaneous income	1,070,235	1,330,601
Investments and gains/losses	<u>17,702</u>	<u>19,182</u>
<b>Subtotal Other Income</b>	<u>2,328,929</u>	<u>2,119,656</u>
<b>Total Support and Revenue</b>	<u>\$ 71,310,089</u>	<u>\$ 63,653,616</u>

### (15) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, April 20, 2017, have been evaluated in the preparation of the financial statements.