

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

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

SEPTEMBER 30, 2013

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 financial statements World Relief Corporation of National Association of Evangelicals (“World Relief”) which comprise the statement of financial position as of September 30, 2013, 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, 2013, 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 financial statements and our report dated January 28, 2013 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, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Philadelphia, Pennsylvania
January 15, 2014**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2013 And 2012

ASSETS	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 9,022,103	\$ 9,432,184
Investments, at market (<i>Note 3</i>)	239,128	167,485
Receivables:		
Grants	3,271,086	3,630,763
Contributions (<i>Note 5</i>)	2,448,299	833,782
Other	297,510	487,850
Microenterprise and agricultural loans – net (<i>Note 6</i>)	3,843,671	4,110,299
Prepaid expenses and other assets	555,298	541,065
Minority interest in net assets (<i>Note 7</i>)	5,292,170	4,419,699
Plant and equipment – net of accumulated depreciation (<i>Note 8</i>)	3,491,231	3,591,613
Assets of discontinued operations (<i>Note 2</i>)	<u>1,235,671</u>	<u>2,275,828</u>
Total assets	<u>\$ 29,696,167</u>	<u>\$ 29,490,568</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 2,968,866	\$ 3,020,892
Deferred revenue	281,602	482,721
Long-term debt (<i>Note 9</i>):		
General	2,004,001	2,157,522
Microenterprise/Agricultural development	2,413,285	2,616,416
Other liabilities	1,102,505	1,245,480
Liabilities of discontinued operations (<i>Note 2</i>)	<u>16,007</u>	<u>467,375</u>
Total liabilities	<u>8,786,266</u>	<u>9,990,406</u>
Net Assets		
Unrestricted		
Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding	1,000	1,000
Non-controlling interest	727,941	396,146
Net assets	<u>15,917,460</u>	<u>15,002,046</u>
Total unrestricted net assets	16,646,401	15,399,192
Temporarily restricted net assets (<i>Note 10</i>)	<u>4,263,500</u>	<u>4,100,970</u>
Total net assets	<u>20,909,901</u>	<u>19,500,162</u>
	<u>\$ 29,696,167</u>	<u>\$ 29,490,568</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2013 With Comparative Totals For 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Support and Revenue				
Private contributions	\$ 5,189,949	\$ 11,524,865	\$ 16,714,814	\$ 14,821,254
Government and other public grants	36,451,299	-	36,451,299	36,325,009
MED banking revenue	1,726,993	-	1,726,993	1,751,255
Other revenue	5,227,765	-	5,227,765	3,815,597
Net assets released from restrictions <i>(Note 10)</i>	<u>11,362,335</u>	<u>(11,362,335)</u>	<u>-</u>	<u>-</u>
Total support and revenue <i>(Note 14)</i>	<u>59,958,341</u>	<u>162,530</u>	<u>60,120,871</u>	<u>56,713,115</u>
Expenses				
Program Ministries				
USA Programs	31,305,864	-	31,305,864	28,324,988
Overseas Programs	13,274,525	-	13,274,525	14,763,265
Disaster Response	<u>5,060,709</u>	<u>-</u>	<u>5,060,709</u>	<u>6,583,057</u>
Total program ministries	<u>49,641,098</u>	<u>-</u>	<u>49,641,098</u>	<u>49,671,310</u>
Support Ministries				
General and administrative	5,961,321	-	5,961,321	5,510,963
Fundraising	<u>3,098,418</u>	<u>-</u>	<u>3,098,418</u>	<u>2,987,490</u>
Total support ministries	<u>9,059,739</u>	<u>-</u>	<u>9,059,739</u>	<u>8,498,453</u>
Total expenses	<u>58,700,837</u>	<u>-</u>	<u>58,700,837</u>	<u>58,169,763</u>
Excess of revenue over expenses	1,257,504	162,530	1,420,034	(1,456,648)
Other Changes				
Loss on discontinued operations	(1,218,772)	-	(1,218,772)	(2,902,600)
Impairment recovery of discontinued operations <i>(Note 2)</i>	<u>1,208,477</u>	<u>-</u>	<u>1,208,477</u>	<u>-</u>
Change in net assets	1,247,209	162,530	1,409,739	(4,359,248)
Net Assets				
Beginning of year	<u>15,399,192</u>	<u>4,100,970</u>	<u>19,500,162</u>	<u>23,859,410</u>
End of year	<u>\$ 16,646,401</u>	<u>\$ 4,263,500</u>	<u>\$ 20,909,901</u>	<u>\$ 19,500,162</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS

Years Ended September 30, 2013 And 2012

	<u>Unrestricted World Relief</u>	<u>Unrestricted – Non-Controlling Interest In Microfinance Entities</u>	<u>Total</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	15,003,046	396,146	15,399,192
Change in unrestricted net assets	<u>915,414</u>	<u>331,795</u>	<u>1,247,209</u>
Unrestricted net assets, September 30, 2013	<u>\$ 15,918,460</u>	<u>\$ 727,941</u>	<u>\$ 16,646,401</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended September 30, 2013 With Comparative Totals For 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ 1,409,739	\$ (4,359,248)
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	456,322	469,597
Gain on recovery of impairment of discontinued operations	(1,208,477)	-
Loss on sale of majority held investment	-	1,566,766
Gain on disposal of fixed assets	(28,838)	-
Net realized and unrealized loss on investments	12,973	1,484
Equity in gain on investment in microfinance institution	(872,471)	(152,052)
(Increase) decrease in		
Receivables	(1,064,500)	(1,509,061)
Prepaid expenses and other assets	(14,233)	132,644
Increase (decrease) in		
Accounts payable and accrued liabilities	(52,026)	188,073
Deferred revenue	<u>(201,119)</u>	<u>190,976</u>
Net cash provided by (used in) operating activities – continuing operations	(1,562,630)	(3,470,821)
Cash provided by operating activities – discontinued operations	<u>2,174,873</u>	<u>4,545,830</u>
Net cash provided by operating activities	<u>612,243</u>	<u>1,075,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase and sale of investments, net	(84,616)	17,125
Capital expenditures, net	(327,102)	(710,046)
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	266,628	521,051
Other liabilities	<u>(142,975)</u>	<u>235,449</u>
Net cash used for investing activities – continuing operations	(288,065)	(58,903)
Cash provided by (used in) investing activities – discontinued operations	<u>187,555</u>	<u>583,967</u>
Net cash provided by (used in) investing activities	<u>(100,510)</u>	<u>525,064</u>

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

STATEMENTS OF CASH FLOWS – (Continued)

Year Ended September 30, 2013 With Comparative Totals For 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit and notes payable	\$ 92,869	\$ 376,179
Repayments of lines of credit and notes payable	<u>(449,521)</u>	<u>(391,308)</u>
Net cash used in financing activities – continuing operations	(356,652)	(15,129)
Cash used in financing activities – discontinued operations	<u>(421,461)</u>	<u>(3,648,350)</u>
Net cash used in financing activities	<u>(778,113)</u>	<u>(3,663,479)</u>
Net decrease in cash and cash equivalents	(266,380)	(2,063,406)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at the beginning of the year	<u>9,908,786</u>	<u>11,972,192</u>
Cash and cash equivalents at the end of the year	9,642,406	9,908,786
Less: cash and cash equivalents of discontinued operations	<u>620,303</u>	<u>476,602</u>
Cash and cash equivalents at the end of the year, net	<u>\$ 9,022,103</u>	<u>\$ 9,432,184</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest (excluding discontinued operations)	<u>\$ 143,814</u>	<u>\$ 159,469</u>

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2013 With Comparative Totals For 2012

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2013 Total	2012 Comparative Total	General And Administrative	Fundraising	2013 Total	2012 Comparative Total	2013 Total	2012 Comparative Total
Salaries and Related Expenses	\$ 11,778,148	\$ 5,053,559	\$ 1,279,600	\$ 18,111,307	\$ 17,769,712	\$2,892,845	\$ 1,562,303	\$4,455,148	\$ 4,321,909	\$ 22,566,455	\$ 22,091,621
Personnel Benefits	2,631,917	753,373	282,980	3,668,270	3,700,294	655,022	330,732	985,754	927,749	4,654,024	4,628,043
Travel	674,601	625,963	304,674	1,605,238	1,672,038	464,059	279,491	743,550	703,454	2,348,788	2,375,492
Board Expenses	-	-	-	-	-	22,912	-	22,912	48,154	22,912	48,154
Communications and Printing	778,554	243,072	73,786	1,095,412	565,378	149,053	302,912	451,965	355,398	1,547,377	920,776
Office Expenses	434,867	376,199	131,734	942,800	1,036,690	104,202	78,614	182,816	313,201	1,125,616	1,349,891
Equipment Costs	255,815	677,543	410,254	1,343,612	1,797,496	54,988	6,550	61,538	68,352	1,405,150	1,865,848
Personnel Expenses	119,517	462,228	77,886	659,631	996,336	178,286	28,295	206,581	171,739	866,212	1,168,075
Consulting and Professional Fees	1,018,155	352,291	177,980	1,548,426	981,601	436,361	412,559	848,920	573,388	2,397,346	1,554,989
Computer Expense	60,181	42,905	9,901	112,987	150,310	48,806	41,107	89,913	90,581	202,900	240,891
Books and Subscriptions	20,440	3,396	1,814	25,650	18,030	5,947	1,694	7,641	5,910	33,291	23,940
Property and Liability Insurance	74,816	3,001	-	77,817	71,418	228,209	-	228,209	187,684	306,026	259,102
Interest Expense	-	28,267	-	28,267	39,845	107,909	7,630	115,539	120,257	143,806	160,102
Foreign Exchange	-	281,571	(15,429)	266,142	(20,270)	(21,581)	-	(21,581)	(2,418)	244,561	(22,688)
Depreciation and Amortization	-	197,200	31,160	228,360	260,900	227,962	-	227,962	208,697	456,322	469,597
Bad Debt Expense	-	57,699	-	57,699	128,148	59,385	-	59,385	-	117,084	128,148
Occupancy Costs	884,381	371,451	131,649	1,387,481	1,359,636	192,350	4,585	196,935	202,374	1,584,416	1,562,010
Other Expenses	104,890	451,303	9,483	565,676	423,123	154,606	41,946	196,552	202,024	762,228	625,147
Microfinance related	-	7,829	-	7,829	8,529	-	-	-	-	7,829	8,529
Initial Refugee Grants	4,731,075	-	-	4,731,075	3,962,650	-	-	-	-	4,731,075	3,962,650
Other Grants & Specific Assistance	7,048,448	917,567	654,449	8,620,464	8,809,431	-	-	-	-	8,620,464	8,809,431
Other Program Costs	50	2,198,746	1,498,788	3,697,584	5,092,168	-	-	-	-	3,697,584	5,092,168
Gifts-in-kind	690,009	169,362	-	859,371	847,847	-	-	-	-	859,371	847,847
Total Expenses	\$ 31,305,864	\$ 13,274,525	\$ 5,060,709	\$ 49,641,098	\$ 49,671,310	\$ 5,961,321	\$ 3,098,418	\$ 9,059,739	\$ 8,498,453	\$ 58,700,837	\$ 58,169,763

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS

September 30, 2013 And 2012

(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 63% 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 three majority owned 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.

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 \$6.2 million and \$6.4 million, including \$4.5 million and \$4.3 million, which includes non-controlling interests, relating to the majority-owned microenterprise entities, for the years ended September 30, 2013 and 2012, respectively. Net assets of the majority-owned microenterprise entities accounted for as discontinued operations amounted to approximately \$1.2 million and \$1.8 million, including non-controlling interest, as of September 30, 2013 and 2012, 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, 2013 And 2012

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, 2013 and 2012 was a (decrease) increase to net assets of (\$244,561) and \$22,688, 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, 2010 - 2012) or expected to be taken in World Relief’s September 30, 2013 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, 2013 And 2012

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 \$859,371 in 2013 and \$847,847 in 2012. 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, 2013 And 2012

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 2013 and 2012. 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, 2012, from which the summarized information was derived.

RECLASSIFICATIONS

Certain reclassifications were made to the 2012 financial statements to conform to the 2013 presentation.

(2) DISCONTINUED OPERATIONS

During the year, World Relief liquidated its assets and settled substantially all liabilities while contemporaneously searching for a reputable organization to transfer all net assets of its wholly owned microfinance entity, BZMF in accordance with its plan set forth in the prior year. An organization has been identified and, subsequent to year-end, an agreement was signed to transfer all remaining net assets to the organization within Kosovo. As such, the operating results of BZMF are included in discontinued operations.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2013 And 2012

Assets and liabilities of discontinued operations as of September 30, 2013 and 2012 are as follows:

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 620,303	\$ 476,602
Loans receivable - net	552,099	1,543,870
Prepaid expenses and other assets	7,239	11,771
Plant and equipment – net of accumulated depreciation	<u>56,030</u>	<u>243,585</u>
Total Assets of Discontinued Operations	<u>\$ 1,235,671</u>	<u>\$ 2,275,828</u>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 16,007	\$ 26,456
Deferred revenue	-	19,458
Long-term debt	<u>-</u>	<u>421,461</u>
Total Liabilities of Discontinued Operations	<u>\$ 16,007</u>	<u>\$ 467,375</u>

In 2011, a business valuation of BZMF resulted in an impairment loss that was recognized to net assets in the amount of \$1,208,477. World Relief reviewed the net assets of BZMF in the current year and determined that the net assets were no longer impaired as of September 30, 2013. As a result, a gain was recognized to the extent of the loss previously reported and has been reflected in the statement of activities.

(3) INVESTMENTS

At September 30, 2013 and 2012, investments consisted of the following:

MARKETABLE SECURITIES

	<u>2013</u>		<u>2012</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds	\$ 130,521	\$ 113,714	\$ 126,431	\$ 115,820
Certificates of Deposit	<u>125,414</u>	<u>125,414</u>	<u>51,665</u>	<u>51,665</u>
	<u>\$ 255,935</u>	<u>\$ 239,128</u>	<u>\$ 178,096</u>	<u>\$ 167,485</u>

At September 30, 2013 and 2012, investments had unrealized losses of \$16,807 and \$10,611, respectively.

INVESTMENT RETURN

The following summarizes the investment return for the year ended September 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Net investment income	\$ 186,303	\$ 254,644
Net realized loss	(6,777)	(378)
Net unrealized loss	<u>(6,196)</u>	<u>(1,106)</u>
	<u>\$ 173,330</u>	<u>\$ 253,160</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2013 And 2012

(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, 2013 are as follows:

	2013			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Investments				
Mutual Funds	\$ 113,714	\$ 113,714	\$ -	\$ -
Certificate of Deposit	<u>125,414</u>	<u>125,414</u>	<u>-</u>	<u>-</u>
	<u>\$ 239,128</u>	<u>\$ 239,128</u>	<u>\$ -</u>	<u>\$ -</u>

	2012			
	Total	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Investments				
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>

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

September 30, 2013 And 2012

(5) CONTRIBUTIONS RECIEVABLE

As of September 30, 2013 and 2012, contributors to World Relief have made unconditional promises to give as follows:

	<u>2013</u>	<u>2012</u>
Within one year	\$ 2,152,776	\$ 282,748
One to five years	<u>308,083</u>	<u>602,681</u>
Gross contributions receivable	2,460,859	870,399
Less: Present value discount	<u>(12,560)</u>	<u>(36,617)</u>
Total contributions receivable	<u>\$ 2,448,299</u>	<u>\$ 833,782</u>

Included in contributions receivable is approximately \$1,800,000 which relates to a bequest received for general support of World Relief’s mission. The estate was validated through probate in June 2013 and is expected to be received in 2014.

(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, excluding amounts that have been reclassified as discontinued operations, and agricultural loans receivable, net at September 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Microenterprise loans (net of allowance of \$133,649 in 2013 and \$183,583 in 2012)	\$ 2,516,383	\$ 2,566,806
Loans to local Nicaraguan and Haitian agricultural loan partners (net of allowance of \$143,236 in 2013 and \$143,908 in 2012)	<u>1,327,288</u>	<u>1,543,493</u>
	<u>\$ 3,843,671</u>	<u>\$ 4,110,299</u>

Microenterprise loan balances in each location are as follows:

	<u>2013</u>	<u>2012</u>
Turame	\$ 1,142,604	\$ 1,283,795
Hekima	<u>1,373,779</u>	<u>1,283,011</u>
	<u>\$ 2,516,383</u>	<u>\$ 2,566,806</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2013 And 2012

A summary of the activity in the allowance for loan losses for the years ended September 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	\$ 327,491	\$ 332,747
Provision for loan losses	55,720	109,683
Loans written off	<u>(106,326)</u>	<u>(114,939)</u>
	<u>\$ 276,885</u>	<u>\$ 327,491</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 \$1,102,505 and \$1,245,480, as of September 30, 2013 and 2012, respectively and is included in other liabilities in the Statement of Financial Position.

(7) 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, 2013, respectively. The carrying amount of each investment at September 30, 2013 and 2012 is as follows:

	<u>2013</u>	<u>2012</u>
UOB	\$ 883,449	\$ 883,449
KREDIT	<u>4,408,721</u>	<u>3,536,250</u>
	<u>\$ 5,292,170</u>	<u>\$ 4,419,699</u>

(8) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 1,325	\$ -
Buildings	2,089,467	2,181,136
Work-in-progress	682,592	458,199
Computers, office and other equipment	3,794,093	3,751,053
Vehicles	<u>2,696,523</u>	<u>2,631,343</u>
	9,264,000	9,021,731
Less: accumulated depreciation	<u>5,772,769</u>	<u>5,430,118</u>
Net value	<u>\$ 3,491,231</u>	<u>\$ 3,591,613</u>

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

September 30, 2013 And 2012

(9) DEBT

A summary of long-term debt is as follows:

	<u>2013</u>	<u>2012</u>
<u>General</u>		
\$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, 2013. Proceeds from this term loan were used to repay outstanding term loans noted above.	\$ 1,510,985	\$ 1,555,941
\$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.	291,165	376,909
Other notes payable	<u>201,851</u>	<u>224,672</u>
Total General Debt	<u>2,004,001</u>	<u>2,157,522</u>
<u>Microenterprise/Agricultural Development</u>		
\$2,000,000 loan payable from an individual at 0% interest, payable in annual installments of \$160,000 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>).	1,360,000	1,520,000
Various other loans payable with maturities through 2014 and interest rates ranging from 0% - 6.4%.	<u>1,053,285</u>	<u>1,096,416</u>
Total microenterprise/agricultural debt	<u>2,413,285</u>	<u>2,616,416</u>
Total debt	<u>\$ 4,417,286</u>	<u>\$ 4,773,938</u>

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

September 30, 2013 And 2012

Microenterprise/Agricultural development loans by location are as follows:

	<u>2013</u>	<u>2012</u>
Turame	\$ 256,182	\$ 165,117
Hekima	797,103	931,299
Nicaragua	<u>1,360,000</u>	<u>1,520,000</u>
Total debt	<u>\$ 2,413,285</u>	<u>\$ 2,616,416</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, 2013 and 2012. 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>
2014	\$ 162,636	\$ 2,413,285	\$ 2,575,921
2015	171,342	-	171,342
2016	190,745	-	190,745
2017	88,370	-	88,370
2018	94,220	-	94,220
2019 and thereafter	<u>1,296,688</u>	<u>-</u>	<u>1,296,688</u>
	<u>\$ 2,004,001</u>	<u>\$ 2,413,285</u>	<u>\$ 4,417,286</u>

Interest expense, excluding amounts related to discontinued operations, for the years ended September 30, 2013 and 2012 was approximately \$144,000 and \$159,000, respectively.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2013 And 2012

(10) NET ASSETS

Unrestricted net assets at September 30, 2013 and 2012 consist of the following:

	<u>2013</u>	<u>2012</u>
Microenterprise/agricultural development activities	\$ 8,795,156	\$ 8,778,132
General unrestricted	7,123,304	6,224,914
Non-controlling interest	<u>727,941</u>	<u>396,146</u>
	<u>\$ 16,646,401</u>	<u>\$ 15,399,192</u>

Temporarily restricted net assets at September 30, 2013 and 2012 are available for the following purposes:

	<u>2013</u>	<u>2012</u>
USA Programs	\$ 710,258	\$ 298,490
Overseas Programs		
Headquarters	1,526,974	632,940
Field	347,006	225,573
Disaster Response		
Headquarters	477,842	2,636,248
Field	162,644	307,719
General	<u>1,038,776</u>	<u>-</u>
	<u>\$4,263,500</u>	<u>\$4,100,970</u>

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

Purposes restrictions accomplished:

USA Programs	\$ 1,537,961
Overseas Programs	6,175,989
Disaster Response	1,944,703
General Programs	<u>1,703,682</u>
	<u>\$ 11,362,335</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 \$248,799 and \$186,457 to the plan in 2013 and 2012, respectively.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2013 And 2012

(12) COMMITMENTS AND CONTINGENCIES

COMMITMENTS

World Relief incurred approximately \$1,291,000 and \$1,175,000 of rent expense related to leases for facilities for the years ending September 30, 2013 and 2012, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2013, were as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2014	\$ 256,245
2015	87,703
2016	<u>14,106</u>
	<u>\$ 358,054</u>

(13) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2013 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>2013 Total</u>
Agriculture	\$ 67,182	\$ -	\$ 1,024,153	\$ 1,213,944	\$ 166,446	\$ 19,863	\$ 2,491,588
Anti-Trafficking	-	589,873	-	-	-	47,321	637,194
Child Development	3,897	-	-	252,883	157,019	173,384	587,183
Emergency Relief	143,029	-	133,627	4,629,093	152,932	30,405	5,089,086
HIV/AIDS	141,991	-	200,584	437,632	2,004,036	560,840	3,345,083
Local Partner Strengthening	19,927	189,874	131,954	721,907	262,222	297,655	1,623,539
Maternal And Child Health	161,049	-	50,942	749,146	703,940	5,045	1,670,122
Micro Economic Development	189,539	320,721	306,733	2,410,196	39,318	230,066	3,496,573
Refugee Resettlement	-	24,044,423	-	20,928	-	-	24,065,351
Service to Immigrants	-	6,160,973	-	-	-	-	6,160,973
Integrated Programming	<u>42,914</u>	<u>-</u>	<u>200</u>	<u>402,799</u>	<u>28,493</u>	<u>-</u>	<u>474,406</u>
2013 Totals	<u>\$ 769,528</u>	<u>\$ 31,305,864</u>	<u>\$ 1,848,193</u>	<u>\$ 10,838,528</u>	<u>\$ 3,514,406</u>	<u>\$ 1,364,579</u>	<u>\$ 49,641,098</u>
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>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2013 And 2012

(14) SUPPORT AND REVENUE BY TYPE

Support and revenue by type for the years ending September 30, 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Private contributions – Unrestricted	\$ 4,749,801	\$ 4,022,712
Private restricted (International – except Emergency)	7,061,655	8,530,725
Private restricted (Emergency Relief)	1,285,009	862,878
Private restricted (U.S.)	2,064,099	1,404,939
Private restricted (General)	<u>1,554,250</u>	<u>-</u>
Subtotal Private Contributions	<u>16,714,814</u>	<u>14,821,254</u>
Government grants (Federal to U.S. – direct receipt)	20,476,754	19,571,906
Government grants (Federal to International – direct receipt)	2,562,986	4,408,051
Government grants (Federal to U.S. – sub award)	5,264,557	4,763,902
Government grants (Federal to International – sub award)	<u>1,988,085</u>	<u>2,538,999</u>
Subtotal Government Grants	<u>30,292,382</u>	<u>31,282,858</u>
Other grants/contracts (U.S. to U.S.)	2,524,586	2,826,626
Other grants/contracts (International to International)	<u>3,634,331</u>	<u>2,215,525</u>
Subtotal Other Grants/Contracts	<u>6,158,917</u>	<u>5,042,151</u>
Fees for services (U.S.)	2,388,585	2,278,465
Fees for services (International)	<u>1,944,214</u>	<u>2,041,259</u>
Subtotal Fees for Services	<u>4,332,799</u>	<u>4,319,724</u>
Gift in kind (U.S.)	169,362	378,053
Gift in kind (Emergency Relief)	690,009	469,794
Miscellaneous income	715,798	125,850
Investments and gains/losses	<u>1,046,790</u>	<u>273,431</u>
Subtotal Other Income	<u>2,621,959</u>	<u>1,247,128</u>
Total Support and Revenue	<u>\$ 60,120,871</u>	<u>\$ 56,713,115</u>

(15) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, January 15, 2014, have been evaluated in the preparation of the financial statements.