

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

*FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

**SEPTEMBER 30, 2015**

# 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, 2015, 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, 2015, 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 2014 financial statements and our report dated January 29, 2015 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
April 27, 2016**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**September 30, 2015 And 2014**

<b>ASSETS</b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Cash and cash equivalents	\$ 7,113,719	\$ 7,039,924
Investments, at market ( <i>Note 3</i> )	224,494	396,519
Receivables:		
Grants	4,722,217	3,660,671
Contributions ( <i>Note 5</i> )	737,500	509,223
Other	125,478	68,171
Microenterprise and agricultural loans – net ( <i>Note 6</i> )	4,445,292	4,589,900
Prepaid expenses and other assets	462,741	610,727
Minority interest in net assets ( <i>Note 7</i> )	5,681,726	6,153,828
Plant and equipment – net of accumulated depreciation ( <i>Note 8</i> )	<u>4,143,872</u>	<u>4,206,383</u>
<b>Total assets</b>	<b><u>\$ 27,657,039</u></b>	<b><u>\$ 27,235,346</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 4,283,986	\$ 3,834,483
Deferred revenue	231,496	363,661
Line of credit ( <i>Note 9</i> )	1,500,000	-
Long-term debt ( <i>Note 9</i> ):		
General	1,676,443	2,182,334
Microenterprise/Agricultural development	2,335,813	2,129,507
Other liabilities	<u>1,202,192</u>	<u>1,312,305</u>
<b>Total liabilities</b>	<b><u>11,229,930</u></b>	<b><u>9,822,290</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	899,667	930,074
Net assets	<u>12,310,569</u>	<u>12,717,709</u>
<b>Total unrestricted net assets</b>	<b>13,211,236</b>	<b>13,648,783</b>
Temporarily restricted net assets ( <i>Note 10</i> )	<u>3,215,873</u>	<u>3,764,273</u>
<b>Total net assets</b>	<b><u>16,427,109</u></b>	<b><u>17,413,056</u></b>
	<b><u>\$ 27,657,039</u></b>	<b><u>\$ 27,235,346</u></b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year Ended September 30, 2015 With Comparative Totals For 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
<b>Support and Revenue</b>				
Private contributions	\$ 2,950,709	\$ 12,319,381	\$ 15,270,090	\$ 12,997,956
Government and other public grants	42,589,050	-	42,589,050	41,161,003
MED banking revenue	1,867,893	-	1,867,893	1,919,423
Other revenue	4,909,155	-	4,909,155	5,112,965
Net assets released from restrictions <i>(Note 10)</i>	<u>12,867,781</u>	<u>(12,867,781)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue <i>(Note 14)</i></b>	<u>65,184,588</u>	<u>(548,400)</u>	<u>64,636,188</u>	<u>61,191,347</u>
<b>Expenses</b>				
Program Ministries				
USA Programs	34,773,775	-	34,773,775	33,545,440
Overseas Programs	17,778,882	-	17,778,882	17,096,391
Disaster Response	<u>2,784,156</u>	<u>-</u>	<u>2,784,156</u>	<u>3,718,387</u>
<b>Total program ministries</b>	<u>55,336,813</u>	<u>-</u>	<u>55,336,813</u>	<u>54,360,218</u>
Support Ministries				
General and administrative	6,730,223	-	6,730,223	6,641,208
Fundraising	<u>3,566,997</u>	<u>-</u>	<u>3,566,997</u>	<u>3,373,676</u>
<b>Total support ministries</b>	<u>10,297,220</u>	<u>-</u>	<u>10,297,220</u>	<u>10,014,884</u>
<b>Total expenses</b>	<u>65,634,033</u>	<u>-</u>	<u>65,634,033</u>	<u>64,375,102</u>
<b>Excess of revenue over expenses</b>	(449,445)	(548,400)	(997,845)	(3,183,755)
<b>Other Changes</b>				
Gain on minority interest in net assets, net	11,898	-	11,898	861,658
Loss on discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,174,748)</u>
<b>Change in net assets <i>(Note 15)</i></b>	<u>(437,547)</u>	<u>(548,400)</u>	<u>(985,947)</u>	<u>(3,496,845)</u>
<b>Net Assets</b>				
Beginning of year	<u>13,648,783</u>	<u>3,764,273</u>	<u>17,413,056</u>	<u>20,909,901</u>
<b>End of year</b>	<u>\$ 13,211,236</u>	<u>\$ 3,215,873</u>	<u>\$ 16,427,109</u>	<u>\$ 17,413,056</u>

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

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

**Years Ended September 30, 2015 And 2014**

	<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, 2013	\$ 15,918,460	\$ 727,941	\$ 16,646,401
Change in unrestricted net assets	<u>(3,199,751)</u>	<u>202,133</u>	<u>(2,997,618)</u>
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	<u>\$ 12,311,569</u>	<u>\$ 899,667</u>	<u>\$ 13,211,236</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Year Ended September 30, 2015 With Comparative Totals For 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Changes in net assets</i>	\$ (985,947)	\$ (3,496,845)
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	441,627	434,913
Loss on disposal of fixed assets	21,045	23,257
Net realized and unrealized loss on investments	1,640	6,527
Unrealized loss on foreign exchange rates	271,355	51,338
Impairment of minority interest in net assets	-	352,753
Equity gain on investment in microfinance institution	(11,898)	(1,214,411)
Donated securities	-	(120,682)
(Increase) decrease in		
Receivables	(1,494,785)	1,778,830
Prepaid expenses and other assets	147,986	(55,429)
Increase (decrease) in		
Accounts payable and accrued liabilities	449,503	865,617
Deferred revenue	<u>(132,165)</u>	<u>82,059</u>
Net cash used in operating activities – continuing operations	(1,291,639)	(1,292,073)
Cash provided by operating activities – discontinued operations	<u>-</u>	<u>543,331</u>
<b>Net cash used in operating activities</b>	<u>(1,291,639)</u>	<u>(748,742)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds (purchases) of investments, net	170,385	(43,236)
Proceeds from the sale of minority interest	484,000	-
Capital expenditures, net	(446,274)	(1,224,660)
Net change in microenterprise and agricultural activities:		
Loans	144,608	(746,229)
Other liabilities	<u>(110,113)</u>	<u>209,800</u>
Net cash provided by (used in) investing activities – continuing operations	242,606	(1,804,325)
Cash provided by investing activities – discontinued operations	<u>-</u>	<u>56,030</u>
<b>Net cash provided by (used in) investing activities</b>	<u>242,606</u>	<u>(1,748,295)</u>

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

*STATEMENTS OF CASH FLOWS – (Continued)*

**Year Ended September 30, 2015 With Comparative Totals For 2014**

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	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from lines of credit and notes payable	\$ 2,354,230	\$ 1,007,644
Repayments of lines of credit and notes payable	<u>(1,231,402)</u>	<u>(1,113,089)</u>
<b>Net cash provided by (used in) investing activities</b>	<u>1,122,828</u>	<u>(105,445)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	73,795	(2,602,482)
<b>CASH, CASH EQUIVALENTS</b>		
Cash and cash equivalents at the beginning of the year	<u>7,039,924</u>	<u>9,642,406</u>
Cash and cash equivalents at the end of the year	<u>\$ 7,113,719</u>	<u>\$ 7,039,924</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest (excluding discontinued operations)	<u>\$ 177,367</u>	<u>\$ 133,589</u>



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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended September 30, 2015 With Comparative Totals For 2014**

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2015 Total	2014 Comparative Total	General And Administrative	Fundraising	2015 Total	2014 Comparative Total	2015 Total	2014 Comparative Total
Salaries and Related Expenses	\$ 13,822,762	\$ 5,900,579	\$ 772,062	\$ 20,495,403	\$ 18,831,306	\$3,529,074	\$ 1,806,086	\$ 5,335,160	\$ 4,985,328	\$ 25,830,563	\$ 23,816,634
Personnel Benefits	3,557,558	971,137	109,632	4,638,327	4,243,412	945,296	375,983	1,321,279	1,103,310	5,959,606	5,346,722
Travel	576,603	1,159,928	124,825	1,861,356	1,770,574	312,559	331,562	644,121	734,015	2,505,477	2,504,589
Board Expenses	-	-	-	-	-	20,468	-	20,468	30,716	20,468	30,716
Communications and Printing	472,908	293,252	45,910	812,070	747,251	143,967	379,292	523,259	382,263	1,335,329	1,129,514
Office Expenses	615,992	557,262	25,066	1,198,320	1,099,437	91,795	69,983	161,778	171,313	1,360,098	1,270,750
Equipment Costs	270,801	991,640	189,404	1,451,845	1,415,904	19,161	4,577	23,738	66,013	1,475,583	1,481,917
Personnel Expenses	182,041	663,953	22,755	868,749	913,892	189,770	14,369	204,139	341,806	1,072,888	1,255,698
Consulting and Professional Fees	819,955	542,469	87,732	1,450,156	1,597,641	474,480	477,158	951,638	1,134,454	2,401,794	2,732,095
Computer Expense	186,756	34,147	1,269	222,172	109,377	56,684	32,401	89,085	80,411	311,257	189,788
Books and Subscriptions	47,703	5,855	1,504	55,062	21,709	3,483	23,923	27,406	19,559	82,468	41,268
Property and Liability Insurance	144,423	1,760	-	146,183	141,519	77,748	-	77,748	244,208	223,931	385,727
Interest Expense	-	50,930	-	50,930	24,215	122,506	3,931	126,437	109,604	177,367	133,819
Foreign Exchange	-	270,543	8,041	278,584	51,801	(7,229)	-	(7,229)	(463)	271,355	51,338
Depreciation and Amortization	-	218,005	-	218,005	237,617	208,380	-	208,380	197,296	426,385	434,913
Bad Debt Expense	-	165,994	-	165,994	201,588	-	-	-	10,236	165,994	211,824
Occupancy Costs	1,098,351	520,641	50,757	1,669,749	1,619,083	175,731	4,370	180,101	210,377	1,849,850	1,829,460
Other Expenses	122,188	282,926	14,655	419,769	473,735	298,451	17,717	316,169	124,529	735,938	598,264
Microfinance related	-	21,219	-	21,219	30,601	-	-	-	-	21,219	30,601
Initial Refugee Grants	5,328,123	-	-	5,328,123	5,361,099	-	-	-	-	5,328,123	5,361,099
Other Grants & Specific Assistance	6,941,540	157,512	381,651	7,480,702	7,644,297	-	-	-	-	7,480,702	7,644,297
Other Program Costs	-	4,312,256	794,308	5,106,564	5,300,651	-	-	-	-	5,106,564	5,300,651
Strategic Partnership	-	473,072	154,585	627,657	1,135,086	67,898	25,645	93,543	69,909	721,200	1,204,995
Gifts-in-kind	<u>586,071</u>	<u>183,802</u>	<u>-</u>	<u>769,873</u>	<u>1,388,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>769,873</u>	<u>1,388,423</u>
<b>Total Expenses</b>	<b>\$ 34,773,775</b>	<b>\$17,778,882</b>	<b>\$2,784,156</b>	<b>\$ 55,336,813</b>	<b>\$ 54,360,218</b>	<b>\$6,730,223</b>	<b>\$ 3,566,997</b>	<b>\$ 10,297,220</b>	<b>\$ 10,014,884</b>	<b>\$ 65,634,033</b>	<b>\$ 64,375,102</b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2015 And 2014

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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), and is a 54% shareholder in a microenterprise entity located in Burundi (Turame).

During the fiscal year 2014, 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 the two majority owned microenterprise entities. Non-controlling interest in these microenterprise entities 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 \$5.5 million and \$5.6 million, for the years ended September 30, 2015 and 2014, respectively, including \$3.4 million in both years, 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 CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS**

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

**September 30, 2015 And 2014**

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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, 2015 and 2014 was a decrease to net assets of \$271,355 and \$51,338, 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, 2012 - 2014) or expected to be taken in World Relief’s September 30, 2015 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, 2015 And 2014

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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 \$769,873 in 2015 and \$1,388,423 in 2014. 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, 2015 And 2014**

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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 2015 and 2014. 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, 2014, from which the summarized information was derived.

### ***RECLASSIFICATIONS***

Certain reclassifications were made to the 2014 financial statements to conform to the 2015 presentation.

## **(2) DISCONTINUED OPERATIONS**

During 2014, World Relief transferred all of the remaining net assets of its wholly owned microfinance entity, BZMF, to a local organization in Kosovo. As such, the operating results of BZMF are included in discontinued operations on the statement of activities.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2015 And 2014

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### (3) INVESTMENTS

At September 30, 2015 and 2014, investments consisted of the following:

#### MARKETABLE SECURITIES

	2015		2014	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds	\$ 128,050	\$ 106,322	\$ 256,006	\$ 236,685
Certificates of Deposit	<u>118,172</u>	<u>118,172</u>	<u>159,834</u>	<u>159,834</u>
	<u>\$ 246,222</u>	<u>\$ 224,494</u>	<u>\$ 415,840</u>	<u>\$ 396,519</u>

At September 30, 2015 and 2014, investments had unrealized losses of \$21,728 and \$19,321, respectively.

#### INVESTMENT RETURN

The following summarizes the investment return for the year ended September 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Net investment income	\$ 4,571	\$ 5,193
Net realized gain (loss)	767	(4,113)
Net unrealized loss	<u>(2,407)</u>	<u>(2,414)</u>
	<u>\$ 2,931</u>	<u>\$ (1,334)</u>

### (4) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

**September 30, 2015 And 2014**

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

	<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>\$ 224,494</u>	<u>\$ 224,494</u>	<u>\$ -</u>	<u>\$ -</u>

	<b>2014</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	\$ 236,685	\$ 236,685	\$ -	\$ -
Certificate of Deposit	<u>159,834</u>	<u>159,834</u>	<u>-</u>	<u>-</u>
	<u>\$ 396,519</u>	<u>\$ 396,519</u>	<u>\$ -</u>	<u>\$ -</u>

**(5) CONTRIBUTIONS RECIEVABLE**

As of September 30, 2015 and 2014, contributors to World Relief have made unconditional promises to give as follows:

	<b>2015</b>	<b>2014</b>
Within one year	\$ 250,000	\$ 509,223
One to five years	<u>500,000</u>	<u>-</u>
Gross contributions receivable	750,000	509,223
Less: Present value discount	<u>(12,500)</u>	<u>-</u>
Total contributions receivable	<u>\$ 737,500</u>	<u>\$ 509,223</u>

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

**September 30, 2015 And 2014**

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**(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, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Microenterprise loans (net of allowance of \$167,921 in 2015 and \$113,045 in 2014)	\$ 3,544,549	\$ 3,686,259
Loans to local Nicaraguan and Haitian agricultural loan partners (net of allowance of \$142,165 in 2015 and \$142,700 in 2014)	<u>900,743</u>	<u>903,641</u>
	<u>\$ 4,445,292</u>	<u>\$ 4,589,900</u>

Microenterprise loan balances in each location are as follows:

	<u>2015</u>	<u>2014</u>
Turame	\$ 1,361,507	\$ 1,495,821
Hekima	<u>2,183,042</u>	<u>2,190,438</u>
	<u>\$ 3,544,549</u>	<u>\$ 3,686,259</u>

A summary of the activity in the allowance for loan losses for the years ended September 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Balance at beginning of year	\$ 255,745	\$ 276,885
Provision for loan losses	164,441	143,108
Loans written off	<u>(110,100)</u>	<u>(164,248)</u>
	<u>\$ 310,086</u>	<u>\$ 255,745</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 \$1,202,192 and \$1,312,305, as of September 30, 2015 and 2014, respectively and is included in other liabilities in the Statement of Financial Position.



# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2015 And 2014

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### (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 1% and 27.9% in UOB and KREDIT as of September 30, 2015, respectively. World Relief's investment was 11.7% and 32.6% in UOB and KREDIT as of September 30, 2014, respectively. The carrying amount of each investment at September 30, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
UOB	\$ 49,030	\$ 530,696
KREDIT	<u>5,632,696</u>	<u>5,623,132</u>
	<u>\$ 5,681,726</u>	<u>\$ 6,153,828</u>

During 2015, World Relief sold approximately 90% of its investment in UOB. Proceeds from the sale, which approximated cost, amounted to \$484,000. An impairment loss of \$352,753 was recognized during the year ended September 30, 2014 on World Relief's investment in UOB and is included in the gain on minority interest in net assets, net in the statement of activities.

### (8) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 866	\$ 1,231
Buildings	2,401,199	2,435,642
Work-in-progress	1,297,052	1,115,386
Computers, office and other equipment	3,659,135	3,797,444
Vehicles	<u>3,046,599</u>	<u>2,971,884</u>
	10,404,851	10,321,587
Less: accumulated depreciation	<u>6,260,979</u>	<u>6,115,204</u>
Net value	<u>\$ 4,143,872</u>	<u>\$ 4,206,383</u>

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

**September 30, 2015 And 2014**

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**(9) DEBT**

A summary of long-term debt is as follows:

	<u>2015</u>	<u>2014</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, 2015. Proceeds from this term loan were used to repay outstanding term loans noted above.	\$ 1,412,429	\$ 1,463,360
\$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.	108,149	202,738
Other notes payable	<u>155,865</u>	<u>516,236</u>
Total General Debt	<u>1,676,443</u>	<u>2,182,334</u>
<b><u>Microenterprise/Agricultural Development</u></b>		
\$2,000,000 loan payable to an individual at 0% interest, payable in semi-annual installments of \$100,000 with a final payment due in March of 2020. This loan 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> ).	900,000	1,100,000
Various other loans payable with maturities through 2018 and interest rates ranging from 0% - 6.5%.	<u>1,435,813</u>	<u>1,029,507</u>
Total microenterprise/agricultural debt	<u>2,335,813</u>	<u>2,129,507</u>
Total debt	<u>\$ 4,012,256</u>	<u>\$ 4,311,841</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2015 And 2014**

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Microenterprise/Agricultural development loans by location are as follows:

	<u>2015</u>	<u>2014</u>
Turame	\$ 260,217	\$ 249,848
Hekima	1,175,596	779,659
Nicaragua	<u>900,000</u>	<u>1,100,000</u>
Total debt	<u>\$ 2,335,813</u>	<u>\$ 2,129,507</u>

World Relief has available a \$2,000,000 line of credit with a bank that expires on June 30, 2016. Interest is charged on outstanding balances at the one-month LIBOR plus 2.75%. \$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, 2015.

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

	<u>General</u>	<u>Microenterprise/ Agricultural Development</u>	<u>Total</u>
2016	\$ 191,035	\$ 1,431,813	\$ 1,622,848
2017	88,370	336,000	424,370
2018	94,220	268,000	362,220
2019	100,461	200,000	300,461
2020	103,741	100,000	203,741
2021 and thereafter	<u>1,098,616</u>	<u>-</u>	<u>1,098,616</u>
	<u>\$ 1,676,443</u>	<u>\$ 2,335,813</u>	<u>\$ 4,012,256</u>

Interest expense, for the years ended September 30, 2015 and 2014 was approximately \$177,000 and \$134,000, respectively.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2015 And 2014**

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### (10) NET ASSETS

Unrestricted net assets at September 30, 2015 and 2014 consist of the following:

	<u>2015</u>	<u>2014</u>
Microenterprise/agricultural development activities	\$ 8,644,140	\$ 8,156,589
General unrestricted	3,667,429	4,562,120
Non-controlling interest	<u>899,667</u>	<u>930,074</u>
	<u>\$ 13,211,236</u>	<u>\$ 13,648,783</u>

Temporarily restricted net assets at September 30, 2015 and 2014 are available for the following purposes:

	<u>2015</u>	<u>2014</u>
USA Programs	\$ 1,600,556	\$ 1,460,096
Overseas Programs		
Headquarters	408,614	963,368
Field	573,097	330,989
Disaster Response		
Headquarters	491,102	236,688
Field	125,133	32,696
General	<u>17,371</u>	<u>740,436</u>
	<u>\$ 3,215,873</u>	<u>\$ 3,764,273</u>

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

Purposes restrictions accomplished:

USA Programs	\$ 2,789,938
Overseas Programs	5,540,577
Disaster Response	1,419,096
General Programs	<u>3,118,170</u>
	<u>\$ 12,867,781</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 \$546,696 and \$405,758 to the plan in 2015 and 2014, respectively.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2015 And 2014

### (12) COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

World Relief incurred approximately \$1,464,000 and \$1,463,000 of rent expense related to leases for facilities for the years ending September 30, 2015 and 2014, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2015, were as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2016	\$ 400,000
2017	270,000
2018	181,000
2019	56,000
2020	<u>44,000</u>
	<u>\$ 951,000</u>

### (13) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2015 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>2015 Total</u>
Agriculture	\$ -	\$ 53,883	\$ 3,081	\$ 301,412	\$ 1,247,267	\$ 270,501	\$ 8,873	\$ 1,885,017
Anti-Trafficking	-	-	325,522	-	-	-	42,841	368,363
Child Development	-	-	-	162,920	1,410,324	39,126	120,621	1,732,991
Emergency Relief	87,029	11,858	88,249	-	3,421,003	97,222	148,831	3,854,192
HIV/AIDS	-	2,879	-	-	304,510	1,359,865	349,305	2,016,559
Local Partner Strengthening	-	-	491,580	228,779	662,981	276,303	182,745	1,842,388
Maternal And Child Health	-	86,598	-	-	4,329,106	827,589	200,702	5,443,995
Micro Economic Development	-	54,173	29,610	3,301	2,289,259	94,498	67,415	2,538,256
Refugee Resettlement	-	-	30,747,070	-	-	-	-	30,747,070
Service to Immigrants	-	-	3,088,536	-	1,070	-	-	3,089,606
Integrated Programming	<u>470,911</u>	<u>391,444</u>	<u>-</u>	<u>-</u>	<u>709,971</u>	<u>70,635</u>	<u>175,415</u>	<u>1,818,376</u>
2015 Totals	<u>\$ 557,940</u>	<u>\$ 600,835</u>	<u>\$ 34,773,648</u>	<u>\$ 696,412</u>	<u>\$ 14,375,491</u>	<u>\$ 3,035,739</u>	<u>\$ 1,296,748</u>	<u>\$ 55,336,813</u>
2014 Totals	<u>\$ 1,135,086</u>	<u>\$ 1,122,817</u>	<u>\$ 33,545,440</u>	<u>\$ 1,250,822</u>	<u>\$ 12,296,876</u>	<u>\$ 3,774,157</u>	<u>\$ 1,235,020</u>	<u>\$ 54,360,218</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2015 And 2014**

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### (14) SUPPORT AND REVENUE BY TYPE

Support and revenue by type for the years ending September 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Private contributions – Unrestricted	\$ 2,950,709	\$ 2,884,397
Private restricted (International – except Emergency)	6,441,313	6,312,893
Private restricted (Emergency Relief)	1,750,704	706,914
Private restricted (U.S.)	3,154,934	2,288,752
Private restricted (General)	<u>972,430</u>	<u>805,000</u>
<b>Subtotal Private Contributions</b>	<u>15,270,090</u>	<u>12,997,956</u>
Government grants (Federal to U.S. – direct receipt)	23,409,784	23,245,376
Government grants (Federal to International – direct receipt)	3,387,485	3,529,244
Government grants (Federal to U.S. – sub award)	5,393,637	5,263,374
Government grants (Federal to International – sub award)	<u>820,452</u>	<u>2,055,839</u>
<b>Subtotal Government Grants</b>	<u>33,011,358</u>	<u>34,093,833</u>
Other grants/contracts (U.S. to U.S.)	2,637,717	2,749,334
Other grants/contracts (International to International)	<u>6,939,975</u>	<u>4,317,836</u>
<b>Subtotal Other Grants/Contracts</b>	<u>9,577,692</u>	<u>7,067,170</u>
Fees for services (U.S.)	2,739,677	2,480,771
Fees for services (International)	<u>1,867,893</u>	<u>1,919,423</u>
<b>Subtotal Fees for Services</b>	<u>4,607,570</u>	<u>4,400,194</u>
Gift in kind (U.S.)	183,802	725,574
Gift in kind (Emergency Relief)	586,071	662,849
Miscellaneous income	1,336,233	1,054,411
Investments and gains/losses	<u>63,372</u>	<u>189,360</u>
<b>Subtotal Other Income</b>	<u>2,169,478</u>	<u>2,632,194</u>
<b>Total Support and Revenue</b>	<u>\$ 64,636,188</u>	<u>\$ 61,191,347</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 27, 2016, have been evaluated in the preparation of the financial statements.