

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

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

SEPTEMBER 30, 2017

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, 2017, 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, 2017, 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 2016 financial statements and our report dated April 20, 2017 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**Philadelphia, Pennsylvania
March 28, 2018**

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2017 And 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 8,594,680	\$ 7,216,274
Investments, at market (<i>Note 3</i>)	663,537	251,696
Receivables:		
Grants	4,463,775	5,347,328
Contributions (<i>Note 5</i>)	1,200,000	1,055,000
Other	555,226	842,629
Microenterprise and agricultural loans – net (<i>Note 6</i>)	2,857,070	1,642,113
Prepaid expenses and other assets	913,698	560,206
Minority interest in net assets (<i>Note 7</i>)	7,353,244	7,321,465
Plant and equipment – net of accumulated depreciation (<i>Note 8</i>)	<u>4,403,228</u>	<u>4,485,559</u>
Total assets	<u>\$ 31,004,458</u>	<u>\$ 28,722,270</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 5,905,702	\$ 5,261,472
Deferred revenue	480,282	646,818
Long-term debt (<i>Note 9</i>):		
General	3,388,325	3,477,006
Microenterprise/Agricultural development	1,475,428	1,424,683
Other liabilities	<u>614,678</u>	<u>715,130</u>
Total liabilities	<u>\$ 11,864,415</u>	<u>11,525,109</u>
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	761,214	13,290
Net assets	<u>13,989,325</u>	<u>14,257,471</u>
Total unrestricted net assets	14,751,539	14,271,761
Temporarily restricted net assets (<i>Note 10</i>)	<u>4,388,504</u>	<u>2,925,400</u>
Total net assets	<u>19,140,043</u>	<u>17,197,161</u>
	<u>\$ 31,004,458</u>	<u>\$ 28,722,270</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2017 With Summarized Information For 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>	<u>2016 Total</u>
Support and Revenue				
Private contributions	\$ 4,785,920	\$ 16,553,722	\$ 21,339,642	\$ 18,431,383
Government and other public grants	51,063,380	-	51,063,380	46,776,420
MED banking revenue	988,818	-	988,818	870,919
Other revenue	5,802,478	-	5,802,478	5,231,367
Net assets released from restrictions (<i>Note 10</i>)	<u>15,090,618</u>	<u>(15,090,618)</u>	<u>-</u>	<u>-</u>
Total support and revenue (<i>Note 14</i>)	<u>77,731,214</u>	<u>1,463,104</u>	<u>79,194,318</u>	<u>71,310,089</u>
Expenses				
Program ministries				
USA programs	39,350,399	-	39,350,399	39,117,428
Overseas programs	21,490,955	-	21,490,955	17,325,491
Disaster response	<u>4,254,277</u>	<u>-</u>	<u>4,254,277</u>	<u>3,520,440</u>
Total program ministries	<u>65,095,631</u>	<u>-</u>	<u>65,095,631</u>	<u>59,963,359</u>
Support Ministries				
General and administrative	8,066,719	-	8,066,719	7,059,183
Fundraising	<u>4,895,120</u>	<u>-</u>	<u>4,895,120</u>	<u>4,146,330</u>
Total support ministries	<u>12,961,839</u>	<u>-</u>	<u>12,961,839</u>	<u>11,205,513</u>
Total expenses	<u>78,057,470</u>	<u>-</u>	<u>78,057,470</u>	<u>71,168,872</u>
Excess of revenue over expenses	(326,256)	1,463,104	1,136,848	141,217
Other Changes				
Loss on minority interest in net assets, net	(24,388)	-	(24,388)	(147,380)
Gain on sale of fixed assets	321,222	-	321,222	769,816
Issuance of capital in consolidated MFI	509,200	-	509,200	-
Gain (loss) on discontinued operations	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,399</u>
Change in net assets	479,778	1,463,104	1,942,882	770,052
Net Assets				
Beginning of year	<u>14,271,761</u>	<u>2,925,400</u>	<u>17,197,161</u>	<u>16,427,109</u>
End of year	<u>\$ 14,751,539</u>	<u>\$ 4,388,504</u>	<u>\$ 19,140,043</u>	<u>\$ 17,197,161</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS

Years Ended September 30, 2017 And 2016

	<u>Unrestricted World Relief</u>	<u>Unrestricted – Non-Controlling Interest In Microfinance Entities</u>	<u>Total</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	14,258,471	13,290	14,271,761
Issuance of capital in consolidated MFI	-	509,200	509,200
Discount on capital issued in consolidated MFI	(225,975)	225,975	-
Change in unrestricted net assets	<u>(42,171)</u>	<u>12,749</u>	<u>(29,422)</u>
Unrestricted net assets, September 30, 2017	<u>\$13,990,325</u>	<u>\$ 761,214</u>	<u>\$14,751,539</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended September 30, 2017 And 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ 1,942,882	\$ 770,052
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	582,234	400,127
Gain on disposal of fixed assets	(321,222)	(769,816)
Bad debt expense	403,006	106,374
Unrealized (gain) loss on foreign exchange rates	(47,851)	232,752
(Gain) loss on sale of majority held investment	-	47,892
Minority interest in net assets sold	-	884,650
Equity loss (gain) on investment in microfinance institution	24,388	(785,162)
(Increase) decrease in		
Receivables	695,522	(876,137)
Prepaid expenses and other assets	(353,492)	(148,801)
Increase (decrease) in		
Accounts payable and accrued liabilities	644,230	1,226,361
Deferred revenue	<u>(222,703)</u>	<u>415,322</u>
Net cash provided by operating activities – continuing operations	3,346,994	1,503,614
Cash used in operating activities – discontinued operations	<u>-</u>	<u>(25,063)</u>
Net cash provided by operating activities	<u>3,346,994</u>	<u>1,478,551</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net	(411,841)	(3,429)
Proceeds from sale of fixed assets	506,588	1,014,530
Proceeds from sale of majority held investment	-	143,533
Purchases of fixed assets	(687,152)	(1,093,171)
Change in cash from minority interest in net assets sold	-	(1,361,431)
Net change in microenterprise and agricultural activities:		
Loans	(1,254,732)	413,837
Other liabilities	<u>(100,452)</u>	<u>(251,964)</u>
Net cash used in investing activities – continuing operations	(1,947,589)	(1,138,095)
Cash provided by investing activities – discontinued operations	<u>-</u>	<u>337,170</u>
Net cash used in investing activities	<u>(1,947,589)</u>	<u>(800,925)</u>

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

STATEMENTS OF CASH FLOWS – (Continued)

Year Ended September 30, 2017 With Comparative Totals For 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit and notes payable	\$ 705,183	\$ 2,537,939
Repayments of lines of credit and notes payable	<u>(726,182)</u>	<u>(2,964,801)</u>
Net cash used in financing activities – continuing operations	(20,999)	(426,862)
Cash used in financing activities – discontinued operations	<u>-</u>	<u>(148,209)</u>
Net cash used in financing activities	<u>(20,999)</u>	<u>(575,071)</u>
Net increase in cash and cash equivalents	1,378,406	102,555
CASH, CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the year	<u>7,216,274</u>	<u>7,113,719</u>
Cash and cash equivalents at the end of the year	<u>\$ 8,594,680</u>	<u>\$ 7,216,274</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest (excluding discontinued operations)	<u>\$ 87,521</u>	<u>\$ 164,038</u>

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2017 With Summarized Information For 2016

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2017 Total	2016 Comparative Total	General And Administrative	Fundraising	2017 Total	2016 Comparative Total	2017 Total	2016 Comparative Total
Salaries and Related Expenses	\$ 15,122,106	\$ 6,762,805	\$ 916,163	\$ 22,801,074	\$ 21,181,590	\$ 4,046,771	\$ 2,083,813	\$ 6,130,584	\$ 5,643,412	\$ 28,931,658	\$ 26,825,002
Personnel Benefits	4,417,686	1,882,669	167,190	6,467,545	5,013,230	1,070,126	541,142	1,611,268	1,236,825	8,078,813	6,250,055
Travel	561,299	1,544,047	248,588	2,353,934	1,943,075	422,629	385,574	808,203	711,297	3,162,137	2,654,372
Board Expenses	-	-	-	-	-	14,375	-	14,375	16,918	14,375	16,918
Communications and Printing	364,723	457,823	45,627	868,173	790,532	69,968	396,351	466,319	429,135	1,334,492	1,219,667
Office Expenses	594,337	407,002	47,090	1,048,429	1,246,278	50,721	142,121	192,842	166,640	1,241,271	1,412,918
Equipment Costs	357,623	896,783	262,082	1,516,488	1,403,965	45,911	68,239	114,150	84,091	1,630,638	1,488,056
Personnel Expenses	140,649	472,834	49,403	662,886	768,486	200,805	37,988	238,793	318,560	901,679	1,087,046
Consulting and Professional Fees	921,450	486,734	204,829	1,613,013	1,609,879	346,561	986,950	1,333,511	1,367,203	2,946,524	2,977,082
Computer Expense	184,997	23,185	3,183	211,365	201,837	140,457	97,617	238,074	187,062	449,439	388,899
Books and Subscriptions	37,947	16,172	28	54,147	85,526	10,940	26,915	37,855	31,790	92,002	117,316
Property and Liability Insurance	130,358	-	-	130,358	151,592	430,557	-	430,557	205,319	560,915	356,911
Interest Expense	23	37,533	-	37,556	65,313	45,916	4,049	49,965	98,725	87,521	164,038
Foreign Exchange	-	5,516	(45,778)	(40,262)	248,010	(7,670)	80	(7,590)	(15,258)	(47,852)	232,752
Depreciation and Amortization	-	174,380	-	174,380	180,965	407,854	-	407,854	219,162	582,234	400,127
Bad Debt Expense	2,757	61,071	-	63,828	106,235	339,178	-	339,178	139	403,006	106,374
Occupancy Costs	1,517,346	601,213	120,598	2,239,157	1,784,683	180,794	26,977	207,771	181,002	2,446,928	1,965,685
Other Expenses	122,202	200,616	11,819	334,637	592,279	241,684	94,004	335,688	213,845	670,325	806,124
Microfinance related	-	722,772	-	722,772	16,016	-	-	-	-	722,772	16,016
Initial Refugee Grants	6,635,113	-	-	6,635,113	6,202,654	-	-	-	-	6,635,113	6,202,654
Other Grants & Specific Assistance	6,720,941	1,989,859	1,048,674	9,759,474	9,461,467	841	-	841	-	9,760,315	9,461,467
Other Program Costs	9,417	4,516,000	1,129,343	5,654,760	4,146,309	2,430	-	2,430	-	5,657,190	4,146,309
Strategic Partnership	-	94,314	45,400	139,714	1,520,904	5,871	3,300	9,171	109,646	148,885	1,630,550
Gifts-in-kind	<u>1,509,425</u>	<u>137,627</u>	<u>38</u>	<u>1,647,090</u>	<u>1,242,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,647,090</u>	<u>1,242,534</u>
Total Expenses	\$ 39,350,399	\$21,490,955	\$4,254,277	\$ 65,095,631	\$ 59,963,359	\$8,066,719	\$4,895,120	\$12,961,839	\$11,205,513	\$78,057,470	\$71,168,872

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2017 And 2016

(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. The consolidated financial statements include the activity of a microenterprise entity in the Democratic Republic of Congo (Hekima) in which World Relief is a 59.28% owner.

Additionally, World Relief entered into a board-approved significant strategic partnership with its Europe-based counterpart World Relief Germany (formerly Partner Aid). 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 \$4.1 million and \$3.3 million, for the years ended September 30, 2017 and 2016, respectively, including \$1.3 million in 2017 and 2016, relating to a majority-owned microenterprise entity.

Loans receivable are in connection with World Relief’s microenterprise development and agricultural activities (*See Note 6*). Although collateral in the form of land titles is required on most of the loans, the loans are exposed to the risk of default on repayment. World Relief manages this risk through its underwriting process.

World Relief 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 \$2.7 million and \$3.1 million of cash and cash equivalents held in foreign banking institutions as of September 30, 2017 and 2016. The funds held in foreign countries are uninsured.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

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 for the year ended September 30, 2017 was an increase to net assets of \$47,851. During the year ended September 30, 2016, excluding the amount related to discontinued operations, the effect was a decrease to net assets of \$232,752.

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, 2014 - 2016) or expected to be taken in World Relief’s September 30, 2017 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 CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

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 \$1,647,052 in 2017 and \$1,240,992 in 2016. 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 CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

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 2017 and 2016. 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, 2016, from which the summarized information was derived.

RECLASSIFICATIONS

Certain reclassifications were made to the 2016 financial statements to conform to the 2017 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 CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

(3) INVESTMENTS

At September 30, 2017 and 2016, investments consisted of the following:

MARKETABLE SECURITIES

	2017		2016	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Certificates of deposit	\$ 655,758	\$ 655,758	\$ 101,495	\$ 101,495
Other investment	<u>7,779</u>	<u>7,779</u>	<u>150,201</u>	<u>150,201</u>
	<u>\$ 663,537</u>	<u>\$ 663,537</u>	<u>\$ 251,696</u>	<u>\$ 251,696</u>

Investment return amounted to \$44,762 in 2017 and \$17,701 in 2016 and is included in other revenue in the Statement of Activities.

(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 NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

The summary of inputs used to value World Relief's investments as of September 30, 2017 and 2016 are as follows:

	<u>2017</u>			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Certificate of Deposit	\$655,758	\$ -	\$655,758	\$ -
Other Investment	<u>7,779</u>	<u>-</u>	<u>-</u>	<u>7,779</u>
	<u>\$663,537</u>	<u>\$ -</u>	<u>\$655,758</u>	<u>\$ 7,779</u>
	<u>2016</u>			
	<u>Total</u>	<u>Level 1 Quoted Prices</u>	<u>Level 2 Other Significant Observable Inputs</u>	<u>Level 3 Significant Unobservable Inputs</u>
Investments				
Certificate of Deposit	\$101,495	\$ -	\$101,495	\$ -
Other Investment	<u>150,201</u>	<u>-</u>	<u>-</u>	<u>150,201</u>
	<u>\$251,696</u>	<u>\$ -</u>	<u>\$101,495</u>	<u>\$150,201</u>

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, 2016	\$ 150,201
Sales / Redemptions	<u>(142,422)</u>
Balance, September 30, 2017	<u>\$ 7,779</u>

(5) CONTRIBUTIONS RECIEVABLE

As of September 30, 2017 and 2016, contributors to World Relief have made unconditional promises to give as follows:

	<u>2017</u>	<u>2016</u>
Within one year	\$ 250,000	\$1,055,000
One to five years	<u>1,000,000</u>	<u>-</u>
Gross contributions receivable	1,250,000	1,055,000
Less: Present value discount (3%)	<u>50,000</u>	<u>-</u>
Total contributions receivable	<u>\$1,200,000</u>	<u>\$1,055,000</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

(6) MICROENTERPRISE LOANS RECEIVABLE

World Relief operates microenterprise development activities through microfinance institutions. These community-based loan programs are designed to assist individuals without access to normal banking resources with loans for the development of small business enterprises. These loans consist of funds lent to entrepreneurial individuals, solidarity groups, and community banks for the purpose of furthering economic development in the communities served.

Microfinance loans receivable, net at September 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Microenterprise loans (net of allowance of \$99,880 in 2017 and \$55,740 in 2016)	<u>\$2,857,070</u>	<u>\$ 1,642,113</u>

A summary of the activity in the allowance for loan losses for the years ended September 30, 2017 and 2016 is as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year	\$ 55,740	\$ 199,028
Provision for loan losses	72,572	102,777
Loans written off	<u>(28,432)</u>	<u>(246,065)</u>
	<u>\$ 99,880</u>	<u>\$ 55,740</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 \$614,678 and \$715,130, as of September 30, 2017 and 2016, respectively net of discontinued operations and is included in other liabilities in the Statement of Financial Position.

RECEIVABLE - OTHER

Included in Receivable – Other on the Statement of Financial Position is World Relief’s beneficial interest in two trusts that were established during the year ended September 30, 2016. The trusts were formed as a result of the bankruptcy of a former agricultural loan program partner. Assets of the trusts are primarily made up of land that are expected to be sold over a term of 28 months. During the year ended September 30, 2017, World Relief wrote down the value of its interest by approximately \$281,500 in connection with the trust committee’s decision to reduce the asking price of the properties held. As of September 30, 2017, the value of World Relief’s interest in these two trusts was approximately \$519,000.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

(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, 2017 and 2016. World Relief’s investment in KREDIT, a for-profit bank for the poor in Cambodia was 24.1% and 27.9% as of September 30, 2017 and 2016, respectively. 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, 2017 and 2016. The carrying amount of each investment at September 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
UOB	\$ 49,030	\$ 49,030
Turame Community Bank	669,763	815,929
KREDIT ⁽¹⁾	<u>6,634,451</u>	<u>6,456,506</u>
	<u>\$ 7,353,244</u>	<u>\$ 7,321,465</u>

⁽¹⁾ Subsequent to year-end, on December 12, 2017, World Relief entered into a shares purchase agreement to sell its remaining interest in KREDIT to an existing shareholder for \$6,634,451.

(8) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 26,670	\$ 674
Buildings	1,621,125	2,046,760
Work-in-progress	445,924	1,883,979
Computers, office and other equipment	4,728,963	3,493,852
Vehicles	<u>3,058,573</u>	<u>3,228,158</u>
	9,881,255	10,653,423
Less: accumulated depreciation	<u>5,478,027</u>	<u>6,167,864</u>
Net value	<u>\$ 4,403,228</u>	<u>\$ 4,485,559</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

(9) DEBT

A summary of long-term debt is as follows:

	<u>2017</u>	<u>2016</u>
<u>General</u>		
\$1,598,000 term loan with a bank bearing interest at a rate of 3.42% payable in full by September 27, 2021. This term loan is secured by substantially all assets of World Relief and subject to certain financial covenants including minimum unrestricted net assets and debt service coverage. World Relief complies with such covenants as of September 30, 2017.	\$ 1,288,325	\$ 1,358,741
\$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. Subsequent to year-end, World Relief entered into an agreement to sell its remaining shares in KREDIT.	2,100,000	2,100,000
Term loan payable in full by October 27, 2016 with an interest rate at the lesser of 2.75% plus one month LIBOR or 4.25%	-	18,265
Total General Debt	<u>3,388,325</u>	<u>3,477,006</u>
<u>Microenterprise/Agricultural Development</u>		
\$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 (<i>See Note 6</i>).	500,000	700,000
\$250,000 loan payable to a foundation (an existing shareholder) at an interest rate of 7.7% on the outstanding balance. The loan is payable in one installment on November 23, 2018. The loan makes available to the lender the option to convert the outstanding loan balance into equity based on the book value per share as of the month-end preceding such conversion. The loan is subject to various financial covenants in which World Relief was in compliance with as of September 30, 2017.	250,000	-
Various other loans payable with maturities through 2019 and interest rates ranging from 0% - 6.5%.	725,428	724,683
Total microenterprise/agricultural debt	<u>1,475,428</u>	<u>1,424,683</u>
Total debt	<u>\$ 4,863,753</u>	<u>\$ 4,901,689</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

Microenterprise/Agricultural development loans by location are as follows:

	<u>2017</u>	<u>2016</u>
Hekima	\$ 975,428	\$ 724,683
Nicaragua	<u>500,000</u>	<u>700,000</u>
Total debt	<u>\$ 1,475,428</u>	<u>\$ 1,424,683</u>

World Relief has available a general \$2,000,000 line of credit with a domestic bank that expires on October 31, 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, 2017 and 2016. Subsequent to year end, the line of credit was increased to \$3,000,000 and extended until March 27, 2019.

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, 2017.

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

	<u>General</u>	<u>Microenterprise/ Agricultural Development</u>	<u>Total</u>
2018	\$ 2,162,539	\$ 775,428	\$ 2,937,967
2019	66,392	600,000	666,392
2020	70,483	100,000	170,483
2021	<u>1,088,911</u>	<u>-</u>	<u>1,088,911</u>
	<u>\$ 3,388,325</u>	<u>\$ 1,475,428</u>	<u>\$ 4,863,753</u>

Interest expense, for the years ended September 30, 2017 and 2016 was approximately \$88,000 and \$164,000, respectively.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

(10) NET ASSETS

Unrestricted net assets at September 30, 2017 and 2016 consist of the following:

	<u>2017</u>	<u>2016</u>
Microenterprise/agricultural development activities	\$ 8,090,895	\$ 7,885,855
General unrestricted	5,899,430	6,372,616
Non-controlling interest	<u>761,214</u>	<u>13,290</u>
	<u>\$ 14,751,539</u>	<u>\$ 14,271,761</u>

Temporarily restricted net assets at September 30, 2017 and 2016 are available for the following purposes:

	<u>2017</u>	<u>2016</u>
USA Programs	\$ 3,146,688	\$ 2,248,223
Overseas Programs	558,884	464,606
Disaster Response	561,820	212,571
General	<u>121,112</u>	<u>-</u>
	<u>\$ 4,388,504</u>	<u>\$ 2,925,400</u>

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

Purposes restrictions accomplished:

USA Programs	\$ 4,077,362
Overseas Programs	5,729,847
Disaster Response	2,602,380
General Programs	<u>2,681,029</u>
	<u>\$ 15,090,618</u>

During 2017, World Relief sold 670 shares of the microfinance institution, IMF Hekima to two investors for \$509,200. As a result of this sale World Relief's ownership of IMF Hekima was reduced from 99% to 59.28%.

(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 are eligible to participate in the World Relief 401(k) defined contribution plan on the first day of the month following the 90th day of employment. World Relief contributed \$693,727 and \$618,265 to the plan in 2017 and 2016, respectively.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

(12) COMMITMENTS AND CONTINGENCIES

COMMITMENTS

World Relief incurred approximately \$1,585,000 and \$1,538,000 of rent expense related to leases for facilities for the years ending September 30, 2017 and 2016, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2017, were as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 364,000
2019	141,000
2020	79,000
2021	<u>30,000</u>
	<u>\$ 614,000</u>

(13) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2017 are as follows:

	<u>Europe</u>	<u>Global Technical Units</u>	<u>USA</u>	<u>Latin America And Caribbean</u>	<u>East And West Africa</u>	<u>Middle East And North Africa</u>	<u>Southern Africa</u>	<u>South And Southeast Asia</u>	<u>2017 Total</u>
Agriculture	\$ -	\$ 28,672	\$ -	\$ 173,792	\$ 2,232,181	\$ 1,691,426	\$ 146,096	\$ 5,959	\$ 4,278,126
Anti-Trafficking	-	-	222,638	-	-	-	-	3,541	226,179
Child Development	-	29,852	-	-	3,114,976	-	1,845,617	59,520	5,049,965
Emergency Relief	259,400	28,265	26,553	464,985	851,697	751,092	187,721	413,575	2,983,288
HIV/AIDS	-	-	-	-	173,137	-	499,934	50,597	723,668
Local Partner Strengthening	26,396	47,455	427,163	141,321	1,065,821	4,084	427,267	1,329,085	3,468,592
Maternal And Child Health	-	-	-	82,729	6,000,152	-	82,992	68,462	6,234,335
Micro Economic Development	-	(9,793)	-	24,331	1,169,055	-	161,926	81,796	1,427,315
Refugee Resettlement	-	-	32,038,990	-	-	-	-	-	32,038,990
Service to Immigrants	-	-	6,665,609	-	-	-	-	-	6,665,609
Integrated Programming	<u>74,918</u>	<u>501,878</u>	<u>-</u>	<u>13,872</u>	<u>920,451</u>	<u>47,500</u>	<u>11,246</u>	<u>429,699</u>	<u>1,999,564</u>
2017 Totals	<u>\$ 360,714</u>	<u>\$626,329</u>	<u>\$39,380,953</u>	<u>\$901,030</u>	<u>\$15,527,470</u>	<u>\$ 2,494,102</u>	<u>\$3,362,799</u>	<u>\$ 2,442,234</u>	<u>\$65,095,631</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>\$ -</u>	<u>\$2,308,147</u>	<u>\$ 1,464,296</u>	<u>\$59,963,359</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

September 30, 2017 And 2016

(14) SUPPORT AND REVENUE BY TYPE

Support and revenue by type for the years ending September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Private contributions – Unrestricted	\$ 4,785,920	\$ 2,734,913
Private restricted (International – except Emergency)	6,302,591	6,638,204
Private restricted (Emergency Relief)	2,951,629	1,359,439
Private restricted (U.S.)	6,167,850	4,195,536
Private restricted (General)	<u>1,131,652</u>	<u>3,503,291</u>
Subtotal Private Contributions	<u>21,339,642</u>	<u>18,431,383</u>
Government grants (Federal to U.S. – direct receipt)	27,017,638	28,694,937
Government grants (Federal to U.S. – sub award)	5,455,334	5,332,906
Government grants (Federal to International – direct receipt)	5,103,444	3,529,126
Government grants (Federal to International – sub award)	<u>221,044</u>	<u>212,151</u>
Subtotal Government Grants	<u>37,797,460</u>	<u>37,769,120</u>
U.S state and local government grants	3,334,167	2,103,521
Non-U.S. public grants	<u>9,931,753</u>	<u>6,903,779</u>
Subtotal Other Public Grants	<u>13,265,920</u>	<u>9,007,300</u>
Fees for services (U.S.)	3,132,184	2,902,438
Fees for services (International)	<u>988,818</u>	<u>870,919</u>
Subtotal Fees for Services	<u>4,121,002</u>	<u>3,773,357</u>
Gift in kind (International)	137,627	363,895
Gift in kind (U.S.)	1,509,425	877,097
Miscellaneous income	976,597	1,070,235
Investments and gains/losses	<u>46,645</u>	<u>17,702</u>
Subtotal Other Income	<u>2,670,294</u>	<u>2,328,929</u>
Total Support and Revenue	<u>\$ 79,194,318</u>	<u>\$ 71,310,089</u>

(15) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, March 28, 2018, have been evaluated in the preparation of the financial statements.