

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

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

**SEPTEMBER 30, 2020 WITH SUMMARIZED COMPARATIVE
INFORMATION FOR 2019**

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

**Board of Directors
World Relief Corporation of
National Association of Evangelicals
Baltimore, Maryland**

We have audited the accompanying financial statements of World Relief Corporation of National Association of Evangelicals (“World Relief”) which comprise the statement of financial position as of September 30, 2020, and the related statements of activities and changes in net assets, functional expenses and of cash flows for the year then ended and the related notes to the 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, 2020, 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 2019 consolidated financial statements and our report dated February 12, 2020 expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
February 5, 2021**

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

STATEMENTS OF FINANCIAL POSITION

September 30, 2020 And 2019 (Consolidated)

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 12,384,572	\$ 9,261,761
Investments, at market <i>(Note 2)</i>	678,912	1,009,825
Receivables:		
Grants	7,415,356	4,037,930
Contributions <i>(Note 4)</i>	10,000	334,500
Other	384,990	516,070
Microenterprise and agricultural loans – net <i>(Note 5)</i>	-	2,521,917
Prepaid expenses and other assets	1,766,733	902,044
Minority interest in net assets <i>(Note 6)</i>	1,534,925	643,586
Plant and equipment – net of accumulated depreciation <i>(Note 7)</i>	<u>4,626,587</u>	<u>4,036,623</u>
Total assets	<u>\$ 28,802,075</u>	<u>\$ 23,264,256</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 5,028,556	\$ 3,921,359
Deferred revenue	4,996,644	1,145,547
Refundable advance <i>(Note 8)</i>	1,068,346	-
Debt <i>(Note 9)</i> :		
General	1,082,187	1,140,397
Microenterprise/Agricultural development	-	1,271,341
Other liabilities	<u>-</u>	<u>882,319</u>
Total liabilities	<u>12,175,733</u>	<u>8,360,963</u>
Net Assets		
Without donor restrictions <i>(Note 10)</i>		
Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding	1,000	1,000
Non-controlling interest	-	686,767
Net assets	<u>13,461,149</u>	<u>10,843,825</u>
Total net assets without donor restrictions	13,462,149	11,531,592
Net assets with donor restrictions <i>(Note 10)</i>	<u>3,164,193</u>	<u>3,371,701</u>
Total net assets	<u>16,626,342</u>	<u>14,903,293</u>
	<u>\$ 28,802,075</u>	<u>\$ 23,264,256</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2020 With Summarized Information For 2019 (Consolidated)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
Support and Revenue				
Private contributions	\$ 4,958,551	\$ 13,699,404	\$ 18,657,955	\$ 19,022,332
Government and other public grants	45,315,451	-	45,315,451	35,995,049
MED banking revenue	1,121,539	-	1,121,539	1,321,479
Other revenue	6,012,007	-	6,012,007	4,821,347
Net assets released from restrictions <i>(Note 10)</i>	<u>13,906,912</u>	<u>(13,906,912)</u>	<u>-</u>	<u>-</u>
Total support and revenue <i>(Note 14)</i>	<u>71,314,460</u>	<u>(207,508)</u>	<u>71,106,952</u>	<u>61,160,207</u>
Expenses				
Program ministries				
USA programs	28,009,451	-	28,009,451	28,022,087
Overseas programs	21,091,177	-	21,091,177	18,720,034
Disaster response	<u>9,277,639</u>	<u>-</u>	<u>9,277,639</u>	<u>5,693,664</u>
Total program ministries	<u>58,378,267</u>	<u>-</u>	<u>58,378,267</u>	<u>52,435,785</u>
Support Ministries				
General and administrative	6,407,027	-	6,407,027	6,197,125
Fundraising	<u>4,009,391</u>	<u>-</u>	<u>4,009,391</u>	<u>4,617,574</u>
Total support ministries	<u>10,416,418</u>	<u>-</u>	<u>10,416,418</u>	<u>10,814,699</u>
Total expenses	<u>68,794,685</u>	<u>-</u>	<u>68,794,685</u>	<u>63,250,484</u>
Excess of revenue over expenses	2,519,775	(207,508)	2,312,267	(2,090,277)
Other Changes				
Gain (loss) on minority interest in net assets, net	47,104	-	47,104	(24,390)
Gain on sale of fixed assets	15,000	-	15,000	15,274
Distribution of non-controlling interest <i>(Note 1)</i>	<u>(651,322)</u>	<u>-</u>	<u>(651,322)</u>	<u>-</u>
Change in net assets	1,930,557	(207,508)	1,723,049	(2,099,393)
Net Assets				
Beginning of year	<u>11,531,592</u>	<u>3,371,701</u>	<u>14,903,293</u>	<u>17,002,686</u>
End of year	<u>\$ 13,462,149</u>	<u>\$ 3,164,193</u>	<u>\$ 16,626,342</u>	<u>\$ 14,903,293</u>

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

STATEMENT OF CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Years Ended September 30, 2020 And 2019 (Consolidated)

	<u>Without Donor Restrictions - World Relief</u>	<u>Non-Controlling Interest In Microfinance Entities</u>	<u>Total</u>
Net assets without restrictions, September 30, 2018	\$ 11,447,348	\$ 644,000	\$ 12,091,348
Change in net assets without restrictions	<u>(602,523)</u>	<u>42,767</u>	<u>(559,756)</u>
Net assets without restrictions, September 30, 2019	10,844,825	686,767	11,531,592
Distribution of non-controlling interest	-	(651,322)	(651,322)
Change in net assets without restrictions	<u>2,617,324</u>	<u>(35,445)</u>	<u>2,581,879</u>
Net assets without restrictions, September 30, 2020	<u>\$ 13,462,149</u>	<u>\$ -</u>	<u>\$ 13,462,149</u>

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

STATEMENTS OF CASH FLOWS

Years Ended September 30, 2020 And 2019 (Consolidated)

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ 1,723,049	\$ (2,099,393)
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	726,957	585,727
Gain on disposal of fixed assets	(15,000)	(15,274)
Bad debt expense	107,687	97,250
Loss (gain) on foreign exchange rates	(11,806)	48,335
Distribution of non-controlling interest	651,322	-
Equity loss (gain) on investment in microfinance institution	(47,103)	24,390
(Increase) decrease in		
Receivables	(3,005,710)	1,140,784
Prepaid expenses and other assets	(922,144)	12,737
Increase (decrease) in		
Accounts payable and accrued liabilities	1,149,422	(780,695)
Deferred revenue	<u>3,851,097</u>	<u>1,092,723</u>
Net cash provided by operating activities	<u>4,207,771</u>	<u>106,584</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments, net	(169,087)	(315,497)
Proceeds from sale of fixed assets	15,000	274,970
Purchases of fixed assets	(1,365,764)	(469,991)
Change in cash from distribution of non-controlling interest	(656,955)	-
Net change in microenterprise and agricultural activities:		
Loans	741,795	(214,387)
Other liabilities	<u>(54,789)</u>	<u>203,767</u>
Net cash used in investing activities	<u>(1,489,800)</u>	<u>(521,138)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from refundable advance, net	1,068,346	-
Proceeds from issuance of debt	-	457,863
Repayments of debt	<u>(663,506)</u>	<u>(1,128,463)</u>
Net cash provided by (used in) financing activities	<u>404,840</u>	<u>(670,600)</u>
Net increase (decrease) in cash and cash equivalents	3,122,811	(1,085,154)
CASH, CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the year	<u>9,261,761</u>	<u>10,346,915</u>
Cash and cash equivalents at the end of the year	<u>\$ 12,384,572</u>	<u>\$ 9,261,761</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest	<u>\$ 79,213</u>	<u>\$ 80,631</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2020 With Summarized Information For 2019 (Consolidated)

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2020 Total	2019 Comparative Total	General And Administrative	Fundraising	2020 Total	2019 Comparative Total	2020 Total	2019 Comparative Total
Salaries and Benefits	\$16,155,126	\$ 8,704,121	\$2,448,883	\$27,308,130	\$25,698,532	\$3,901,901	\$2,879,487	\$ 6,781,388	\$ 7,013,732	\$34,089,518	\$32,712,264
Other Personnel Expenses	243,229	1,925,570	347,741	2,516,540	2,807,155	390,427	147,324	537,751	951,160	3,054,291	3,758,315
Communications and Printing	336,355	389,352	46,412	772,119	749,110	91,324	217,899	309,223	325,412	1,081,342	1,074,522
Office Expenses	729,396	462,865	115,301	1,307,562	1,128,471	138,863	187,975	326,838	320,077	1,634,400	1,448,548
Equipment Costs	262,896	989,319	744,599	1,996,814	1,612,046	51,819	15,290	67,109	36,806	2,063,923	1,648,852
Consulting and Professional Fees	817,500	550,305	460,752	1,828,557	1,925,734	401,482	413,436	814,918	880,834	2,643,475	2,806,568
Property and Liability Insurance	115,434	32,322	5,226	152,982	191,887	296,856	-	296,856	264,960	449,838	456,847
Depreciation and Amortization	-	269,373	5,773	275,146	164,151	451,811	-	451,811	421,576	726,957	585,727
Occupancy Costs	1,246,742	871,941	292,476	2,411,159	2,154,866	190,457	54,905	245,362	253,617	2,656,521	2,408,483
Microfinance related	-	15,782	-	15,782	57,213	-	-	-	-	15,782	57,213
Initial Refugee Grants	1,735,452	-	-	1,735,452	2,369,413	-	-	-	-	1,735,452	2,369,413
Grants & Specific Assistance	6,171,559	1,163,555	908,451	8,243,565	6,329,439	-	-	-	-	8,243,565	6,329,439
Other Program Expenses	78,625	5,109,339	3,949,677	9,137,641	6,679,255	207	7,969	8,176	-	9,145,817	6,679,255
Other Expenses	<u>117,137</u>	<u>607,333</u>	<u>(47,652)</u>	<u>676,818</u>	<u>568,513</u>	<u>491,880</u>	<u>85,106</u>	<u>576,986</u>	<u>346,525</u>	<u>1,253,804</u>	<u>915,038</u>
Total Expenses	<u>\$28,009,451</u>	<u>\$21,091,177</u>	<u>\$9,277,639</u>	<u>\$58,378,267</u>	<u>\$52,435,785</u>	<u>\$6,407,027</u>	<u>\$4,009,391</u>	<u>\$10,416,418</u>	<u>\$10,814,699</u>	<u>\$68,794,685</u>	<u>\$63,250,484</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS

September 30, 2020 And 2019

(1) SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

World Relief Corporation of National Association of Evangelicals (*“World Relief”*) is a not-for-profit, global Christian humanitarian organization that brings sustainable solutions to the world’s greatest problems – disasters, extreme poverty, violence, oppression, and mass displacement. For over 75 years, we’ve partnered with churches and community leaders in the U.S. and abroad to bring hope, healing and transformation to the most vulnerable.

World Relief is a wholly owned subsidiary of The National Association of Evangelicals, a not-for-profit religious organization.

Additionally, World Relief entered into a board-approved significant strategic partnership with its Europe-based counterpart World Relief Germany (formerly Partner Aid). The preferred partnership with World Relief Germany ended in October 2019. In future years, World Relief will continue to work with the now named Tearfund Germany for disaster and humanitarian response based on particular project agreements.

DECONSOLIDATION

Pursuant to a meeting of the shareholders of IMF Hekima, a microenterprise entity in the Democratic Republic of the Congo, it was resolved to issue additional capital and sell shares amongst existing shareholders with an effective date of September 30, 2020. As a result of this resolution, World Relief’s ownership interest in IMF Hekima was reduced from 59.28% to 49.95%. As such, World Relief deconsolidated IMF Hekima as of September 30, 2020.

World Relief has elected to account for its non-controlling investment in IMF Hekima at fair value (*Note 6*) using the equity method of accounting beginning on September 30, 2020. World Relief uses the equity method of accounting when it has the ability to exercise significant influence, but not control, over the operating and financial policies of the investee.

For the year ended September 30, 2019, the accounts of IMF Hekima are consolidated with World Relief and the non-controlling interest is separately presented in equity. Substantially all intercompany accounts and transactions are 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.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

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 \$7.3 million, and \$6.5 million, for the years ended September 30, 2020 and 2019, respectively.

Loans receivable are in connection with World Relief's microenterprise development and agricultural activity in Hekima (*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 \$4.8 million and \$5.0 million of cash and cash equivalents held in foreign banking institutions as of September 30, 2020 and 2019. The funds held in foreign countries are uninsured.

FOREIGN CURRENCY TRANSLATION

World Relief has foreign branch offices in many countries. Assets and liabilities for these foreign branch offices and the majority-owned microenterprise entities are translated at the rates of exchange at the balance sheet date while income statement accounts are translated at the average exchange rates in effect during the period. The effect of such translation adjustments was an increase to net assets of \$11,806 for the year ended September 30, 2020 and a decrease to net assets of \$48,335 for the year ended September 30, 2019.

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.

Management has reviewed the tax positions for each of the open tax years (years ended September 30, 2017 - 2019) or expected to be taken in World Relief's September 30, 2020 tax return and has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements.

CONTRIBUTIONS TO INDEPENDENT ENTITIES

It is World Relief's practice that its overseas ministry programs may eventually become independent entities or be transferred to like-minded organizations. When the decision to transfer such assets is approved, World Relief records a liability for the net assets to be transferred and a corresponding charge to operations for the contribution.

CASH AND CASH EQUIVALENTS

World Relief considers cash and cash equivalents to include currency on hand, demand deposits with banks and short-term investments with maturities of less than three months when purchased.

INVESTMENTS

World Relief records investments in securities at fair market value with the resulting gains and losses reported in the statement of activity. The fair market value of investments traded on a securities exchange is determined based on quoted market prices for those investments.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

PROPERTY AND EQUIPMENT

Property and equipment are capitalized at cost and depreciated over their estimated useful lives on the straight-line basis (buildings – 29 years, computer, office and other equipment – 3-8 years and vehicles – 5 years).

World Relief requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount at which the carrying value of the assets exceeds the estimated fair value. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less the costs to sell.

World Relief receives various federal, state, city and private grants and contracts relating to refugee immigration, relief and disaster response. Property and equipment purchased through grants/contracts is capitalized in the period purchased. The property and equipment is retained by World Relief or returned to the grantor based upon the grant/contract.

NET ASSETS

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of World Relief and changes therein are classified and reported as follows:

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

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

CONTRIBUTIONS

World Relief recognizes contributions when cash, securities or other assets, and unconditional promise to give are received. Conditional contributions include donor-imposed conditions with one or more barriers that must be overcome before World Relief is entitled to the assets transferred or promised and there is a right of return to the contributor for assets transferred or a right of release of the promisor from its obligation to transfer assets. World Relief recognizes the contribution when the conditions are substantially met or explicitly waived. Unconditional contributions are classified as without donor restrictions unless there are 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 of the restriction is accomplished, net assets with donor restrictions are then classified to net assets without donor restrictions and reported in the statement of activities as “***net assets released from restrictions.***”

GOVERNMENT AND PRIVATE GRANTS

World Relief receives funding under various federal and state awards for direct and indirect program costs. Revenues from such awards are considered to be conditional contributions and are recognized as qualifying expenses are incurred. World Relief adopted the simultaneous release option for donor-restricted conditional grants that are recognized as used within the same reporting period, therefore, these amounts are reported as without donor restrictions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances/deferred revenue in the statement of financial position.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

FEES FOR SERVICE

Revenue is recognized when control of the services provided is transferred to the customer in an amount that reflects the consideration that World Relief expects to be entitled to in exchange for those services. Revenue from contracts with customers is primarily comprised of servicing fees charged on the collection of transportation loans issued by the International Office for Migration (“IOM”) and for legal services provided to refugees. Fees for Service revenue is included in Other Income on the Statement of Activities.

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 \$3,094,090 in 2020 and \$927,654 in 2019. In addition, refugee sponsors and others often provide goods and services directly to resettled refugees; however, the value of these goods and services is not included in the financial statements.

VOLUNTARY SERVICES

Worldwide, volunteers account for a majority of the World Relief workforce, greatly multiplying the number of people reached by the organizations’ global ministries. In many cases volunteers serve on the front lines of World Relief’s programs, partnering with staff to increase the impact of services given. Approximately 75,000 people volunteered with World Relief in each of the years 2020 and 2019. The value of these non-paid workers is not reflected in the financial statements.

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, 2019, from which the summarized information was derived.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

NEW ACCOUNTING PRONOUNCEMENT

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958), to improve the scope and the accounting guidance for contributions received and contributions made. The amendments will assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of the Topic, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional which effects the timing of revenue recognition. The ASU is effective to the contributions received by World Relief for fiscal years beginning after December 15, 2018, and it is effective for contributions made for fiscal years beginning after December 15, 2019. World Relief adopted the new ASU during 2020 and it did not have a material effect on the financial statements.

ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED

In 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the statement of financial position and disclosing key information about leasing arrangements. The ASU is effective for private entities for fiscal years beginning after December 15, 2021. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach. World Relief plans to adopt the new ASU at the required implementation date.

In 2020, the FASB issued ASU 2020-07: Presentation and disclosure requirements by not-for-profit entities for contributed non-financial assets (Topic 958). Prior to this update, Topic 958 only specified requirements for the recognition and initial measurement of contributions and disclosure requirements pertaining to contributed services. Under the new guidance, not-for-profit organizations will be required to present gifts-in-kind as a separate component on their statement of activities and will require specific disclosures for certain quantitative and qualitative information about such non-financial assets. The amendments in this update are effective for periods beginning after June 15, 2021 and should be applied on a retrospective basis. World Relief plans to adopt the new ASU at the required implementation date.

(2) INVESTMENTS

At September 30, 2020 and 2019, investments consisted of the following:

	<u>2020</u>		<u>2019</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Certificates of deposit	<u>\$ 678,912</u>	<u>\$ 678,912</u>	<u>\$ 1,009,825</u>	<u>\$ 1,009,825</u>

Investment return amounted to \$30,383 in 2020 and \$75,105 in 2019 and is included in other revenue in the Statement of Activities.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

(3) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

The summary of inputs used to value World Relief’s investments as of September 30, 2020 and 2019 are as follows:

		2020		
		Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Total				
Investments				
Certificate of Deposit	\$ 678,912	\$ -	\$ 678,912	\$ -
		2019		
		Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs
Total				
Investments				
Certificate of Deposit	\$1,009,825	\$ -	\$1,009,825	\$ -

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NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

(4) CONTRIBUTIONS RECEIVABLE

As of September 30, 2020, and 2019, contributors to World Relief have made unconditional promises to give, all due within one year, as follows:

	<u>2020</u>	<u>2019</u>
Total contributions receivable	<u>\$ 10,000</u>	<u>\$ 334,500</u>

(5) MICROENTERPRISE LOANS RECEIVABLE

World Relief consolidated a microfinance institution until September 30, 2020 (See Note 1). This institution operated community-based loan programs 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, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Microenterprise loans (net of allowance of \$128,137 in 2019)	<u>\$ -</u>	<u>\$ 2,521,917</u>

Certain microenterprise loan programs have either a mandatory or a voluntary savings component. This savings requirement, which is retained by the local World Relief microfinance institution and can be applied towards balances in default, was \$882,319 as of September 30, 2019 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 43% interest in a trust that was formed from the bankruptcy of a former agricultural loan program partner. Assets of the trust are primarily made up of one property that is being marketed for sale. The appraised value of World Relief's interest in the trust as of September 30, 2020 and 2019 is approximately \$621,000. However, due to uncertainties in the amount expected to be collected, management has placed a valuation allowance of approximately \$213,000 and \$120,000 on its interest as of September 30, 2020, and 2019, respectively.

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NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

(6) MINORITY INTEREST IN NET ASSETS

Minority interest in net assets represents World Relief's investment in microfinance institutions. World Relief's investment in Urwego Opportunity Bank ("**UOB**"), a for-profit bank extending services to the poor of Rwanda was 0.8% as of September 30, 2020 and 2019, and as such, is carried at cost. For the years ended September 30, 2020 and 2019, World Relief has a 44.3% investment interest in Turame Community Bank ("**Turame**"), a for profit microfinance institution extending services to the poor of Burundi. As of September 30, 2020, World Relief has a 49.95% investment interest in IMF Hekima ("**Hekima**"), a for profit microfinance institution extending services to the poor in the Democratic Republic of Congo. Turame and Hekima are carried at fair market value using the equity method of accounting where World Relief records its share of Turame's and Hekima's net profit or loss each period. The carrying amount of these investments at September 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
UOB	\$ 49,030	\$ 49,030
IMF Hekima	844,236	-
Turame Community Bank	<u>641,659</u>	<u>594,556</u>
	<u>\$1,534,925</u>	<u>\$643,586</u>

For equity method investments which the company has elected to measure at fair value, the unrealized gains and losses are reported in the statement of activities and changes in net assets as gain (loss) on minority interest in net assets

(7) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 26,645	\$ 26,660
Buildings	1,646,485	1,648,523
Work-in-progress	209,211	-
Computers, office and other equipment	5,493,980	5,574,503
Vehicles	<u>3,361,330</u>	<u>2,416,355</u>
	10,737,651	9,666,041
Less: accumulated depreciation	<u>6,111,064</u>	<u>5,629,418</u>
Net value	<u>\$ 4,626,587</u>	<u>\$4,036,623</u>

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NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

(8) REFUNDABLE ADVANCE

On April 16, 2020, World Relief received a \$4,233,380 loan under the Small Business Administration’s (“SBA”) Paycheck Protection Program (the “PPP Loan”). World Relief considers this to be a conditional contribution as it expects to meet the criteria for loan forgiveness upon incurring eligible expenditures. World Relief considers the incurrence of eligible expenses to be a barrier in the PPP Loan and as such, will recognize contribution income when these conditions are substantially met. During the year ended September 30, 2020, World Relief recognized incurred eligible expenditures in excess of the loan, however, due to uncertainty in the ultimate acceptance of its loan forgiveness application, recognized approximately \$3,175,000 as contribution revenue (75%). The amount not recognized as contribution revenue has been reported as a Refundable Advance on the Statement of Financial Position. Any amount not ultimately forgiven is required to be repaid in two years from the date of the agreement at a 1% interest annual interest rate.

(9) DEBT

A summary of long-term debt is as follows:

	<u>2020</u>	<u>2019</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 net assets without restrictions and assets coverage ratio. World Relief complies with such covenants as of September 30, 2020 and 2019.	\$ 1,082,187	\$ 1,140,397
<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.	-	100,000
Loans payable to three lenders to make resources available to grow the microenterprise loan portfolio. These loans mature through fiscal year 2021 and have interest rates that range from 0% - 8%.	-	1,171,341
Total microenterprise/agricultural debt	-	1,271,341
Total debt	<u>\$ 1,082,187</u>	<u>\$ 2,411,738</u>

Microenterprise/Agricultural development loans by location are as follows:

	<u>2020</u>	<u>2019</u>
Hekima	\$ -	\$ 1,171,341
Nicaragua	-	100,000
Total debt	<u>\$ -</u>	<u>\$ 1,271,341</u>

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September 30, 2020 And 2019

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

	<u>General</u>
2021	<u>\$ 1,082,187</u>

Interest expense, for the years ended September 30, 2020 and 2019 was approximately \$79,213 and \$80,631, respectively.

(10) NET ASSETS

Net assets without donor restrictions at September 30, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Microenterprise/agricultural development activities	\$ 1,497,937	\$ 1,584,722
General net assets without donor restrictions	11,964,212	9,260,103
Non-controlling interest	<u>-</u>	<u>686,767</u>
	<u>\$ 13,462,149</u>	<u>\$ 11,531,592</u>

Net assets with donor restrictions are restricted to a specific purpose as designated by the donors. As of September 30, 2020, and 2019 such net assets are available for the following purposes:

	<u>2020</u>	<u>2019</u>
USA Programs	\$ 2,846,998	\$ 2,037,795
Overseas Programs	132,301	1,186,756
Disaster Response	96,727	116,739
General	<u>88,167</u>	<u>30,411</u>
	<u>\$ 3,164,193</u>	<u>\$ 3,371,701</u>

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

Purposes restrictions accomplished:	
USA Programs	\$ 5,843,378
Overseas Programs	7,117,108
Disaster Response	182,248
General Programs	<u>764,178</u>
	<u>\$ 13,906,912</u>

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NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

(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 \$537,225 and \$357,856 to the plan in 2020 and 2019, respectively.

(12) COMMITMENTS AND CONTINGENCIES

COMMITMENTS

World Relief incurred approximately \$1,767,000 and \$1,662,000 of rent expense related to leases for facilities for the years ending September 30, 2020 and 2019, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2020, were as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2021	\$ 680,000
2022	358,000
2023	351,000
2024	224,000
2025	<u>154,000</u>
	<u>\$ 1,767,000</u>

(13) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2020 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>2020 Total</u>
Agriculture	\$ -	\$ (838)	\$ 127,254	\$ -	\$ 5,535,638	\$ -	\$ 80,173	\$ -	\$ 5,742,227
Anti-Trafficking	-	-	333,455	-	-	-	-	-	333,455
Economy, Industry & Income	-	360,842	-	229,409	1,776,443	-	436,210	-	2,802,904
Education	-	7,470	97,328	20,785	1,286,544	-	346,690	-	1,758,817
Emergency Relief	-	57,000	731,331	212,264	552,064	218	539,481	149,538	2,241,896
Health	-	510,259	25,284	208,372	4,338,132	-	1,861,310	(3,000)	6,940,357
Integrated Projects	3,240	167,295	3,926	(72,837)	6,629,886	20,008	280,552	463,568	7,495,638
Local Partner Strengthening	-	13,349	783,763	187,722	648,761	-	321,848	35,055	1,990,498
Peace Building	-	5,285	-	-	962,369	-	-	-	967,654
Refugee Resettlement	-	81,784	22,806,635	-	-	-	-	-	22,888,419
Service to Immigrants	-	-	3,100,475	-	-	-	-	-	3,100,475
Water & Sanitation	-	-	-	-	1,956,897	-	159,030	-	2,115,927
2020 Totals	<u>\$ 3,240</u>	<u>\$ 1,202,446</u>	<u>\$ 28,009,451</u>	<u>\$ 785,715</u>	<u>\$ 23,686,734</u>	<u>\$ 20,226</u>	<u>\$ 4,025,294</u>	<u>\$ 645,161</u>	<u>\$ 58,378,267</u>
2019 Totals	<u>\$ 10,073</u>	<u>\$ 1,059,676</u>	<u>\$ 28,297,607</u>	<u>\$ 507,009</u>	<u>\$ 17,637,765</u>	<u>\$ 420,567</u>	<u>\$ 3,603,045</u>	<u>\$ 900,043</u>	<u>\$ 52,435,785</u>

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September 30, 2020 And 2019

(14) SUPPORT AND REVENUE BY TYPE

Support and revenue by type for the years ending September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Private contributions – Without donor restrictions	\$ 4,958,551	\$ 4,869,288
Private restricted (International – except Emergency)	6,062,653	6,170,776
Private restricted (Emergency Relief)	162,236	1,125,855
Private restricted (U.S.)	6,652,581	5,989,039
Private restricted (General)	<u>821,934</u>	<u>867,374</u>
Subtotal Private Contributions	<u>18,657,955</u>	<u>19,022,332</u>
Government grants (Federal to U.S. – direct receipt)	13,715,211	13,021,243
Government grants (Federal to U.S. – sub award)	4,070,588	4,028,168
Government grants (Federal to International – direct receipt)	11,037,667	5,899,454
Government grants (Federal to International – sub award)	<u>47,452</u>	<u>159,049</u>
Subtotal Government Grants	<u>28,870,918</u>	<u>23,107,914</u>
U.S state and local government grants	3,881,308	4,121,776
Non-U.S. public grants	<u>12,563,225</u>	<u>8,765,358</u>
Subtotal Other Public Grants	<u>16,444,533</u>	<u>12,887,134</u>
Fees for services (U.S.)	2,062,078	2,762,035
Fees for services (International)	<u>1,121,539</u>	<u>1,321,479</u>
Subtotal Fees for Services	<u>3,183,617</u>	<u>4,083,514</u>
Gift in kind (International)	35,297	-
Gift in kind (U.S.)	3,127,613	927,596
Miscellaneous income	720,306	1,007,569
Investments and gains/losses	<u>66,713</u>	<u>124,148</u>
Subtotal Other Income	<u>3,949,929</u>	<u>2,059,313</u>
Total Support and Revenue	<u>\$ 71,106,952</u>	<u>\$ 61,160,207</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2020 And 2019

(15) FINANCIAL ASSETS AND LIQUIDITY RESOURCES

At September 30, 2020 and 2019, financial assets and liquidity resources available within one year for general expenditure such as operating expenses and grant expenses, were as follows:

Financial Assets	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 12,384,572	\$ 9,261,761
Investments – current	678,912	1,009,825
Receivables	7,425,356	4,372,430
Microenterprise and agricultural loans	<u>-</u>	<u>2,484,291</u>
Total financial assets available within one year	20,488,840	17,128,307
Less those unavailable for general expenditure within one year due to donor-imposed restrictions	<u>(3,164,193)</u>	<u>(3,371,701)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 17,324,647</u>	<u>\$ 13,756,606</u>

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

(16) CONTINGENCIES

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, there have been mandates from federal, state and local authorities resulting in an overall decline in economic activity. The current operating environment is changing rapidly. The extent of the impact that the COVID-19 pandemic will have on the financial performance of World Relief's operations is not reasonably estimable as of the date that the financial statements were available for issuance. World Relief will continue to monitor the effects of the COVID-19 pandemic and will adjust its operations as necessary.

(17) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, February 5, 2021, have been evaluated in the preparation of the financial statements.