

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

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

SEPTEMBER 30, 2014

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, 2014, 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, 2014, and the changes in its net assets, and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited World Relief's financial statements and our report dated January 15, 2014 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.



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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

September 30, 2014 And 2013

ASSETS	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 7,039,924	\$ 9,022,103
Investments, at market (<i>Note 3</i>)	396,519	239,128
Receivables:		
Grants	3,660,671	3,271,086
Contributions (<i>Note 5</i>)	509,223	2,448,299
Other	68,171	297,510
Microenterprise and agricultural loans – net (<i>Note 6</i>)	4,589,900	3,843,671
Prepaid expenses and other assets	610,727	555,298
Minority interest in net assets (<i>Note 7</i>)	6,153,828	5,292,170
Plant and equipment – net of accumulated depreciation (<i>Note 8</i>)	4,206,383	3,491,231
Assets of discontinued operations (<i>Note 2</i>)	<u>-</u>	<u>1,235,671</u>
Total assets	<u>\$ 27,235,346</u>	<u>\$ 29,696,167</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued liabilities	\$ 3,834,483	\$ 2,968,866
Deferred revenue	363,661	281,602
Long-term debt (<i>Note 9</i>):		
General	2,182,334	2,004,001
Microenterprise/Agricultural development	2,129,507	2,413,285
Other liabilities	1,312,305	1,102,505
Liabilities of discontinued operations (<i>Note 2</i>)	<u>-</u>	<u>16,007</u>
Total liabilities	<u>9,822,290</u>	<u>8,786,266</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	930,074	727,941
Net assets	<u>12,717,709</u>	<u>15,917,460</u>
Total unrestricted net assets	13,648,783	16,646,401
Temporarily restricted net assets (<i>Note 10</i>)	<u>3,764,273</u>	<u>4,263,500</u>
Total net assets	<u>17,413,056</u>	<u>20,909,901</u>
	<u>\$ 27,235,346</u>	<u>\$ 29,696,167</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended September 30, 2014 With Comparative Totals For 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
Support and Revenue				
Private contributions	\$ 2,884,397	\$ 10,113,559	\$ 12,997,956	\$ 16,714,814
Government and other public grants	41,161,003	-	41,161,003	36,451,299
MED banking revenue	1,919,423	-	1,919,423	1,726,993
Other revenue	5,112,965	-	5,112,965	4,355,294
Net assets released from restrictions <i>(Note 10)</i>	<u>10,612,786</u>	<u>(10,612,786)</u>	<u>-</u>	<u>-</u>
Total support and revenue <i>(Note 14)</i>	<u>61,690,574</u>	<u>(499,227)</u>	<u>61,191,347</u>	<u>59,248,400</u>
Expenses				
Program Ministries				
USA Programs	33,545,440	-	33,545,440	31,305,864
Overseas Programs	17,096,391	-	17,096,391	13,274,525
Disaster Response	<u>3,718,387</u>	<u>-</u>	<u>3,718,387</u>	<u>5,060,709</u>
Total program ministries	<u>54,360,218</u>	<u>-</u>	<u>54,360,218</u>	<u>49,641,098</u>
Support Ministries				
General and administrative	6,641,208	-	6,641,208	5,961,321
Fundraising	<u>3,373,676</u>	<u>-</u>	<u>3,373,676</u>	<u>3,098,418</u>
Total support ministries	<u>10,014,884</u>	<u>-</u>	<u>10,014,884</u>	<u>9,059,739</u>
Total expenses	<u>64,375,102</u>	<u>-</u>	<u>64,375,102</u>	<u>58,700,837</u>
Excess of revenue over expenses	(2,684,528)	(499,227)	(3,183,755)	547,563
Other Changes				
Gain on minority interest in net assets, net	861,658	-	861,658	872,471
Loss on discontinued operations	(1,174,748)	-	(1,174,748)	(1,218,772)
Impairment recovery of discontinued operations <i>(Note 2)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,208,477</u>
Change in net assets <i>(Note 15)</i>	<u>(2,997,618)</u>	<u>(499,227)</u>	<u>(3,496,845)</u>	<u>1,409,739</u>
Net Assets				
Beginning of year	<u>16,646,401</u>	<u>4,263,500</u>	<u>20,909,901</u>	<u>19,500,162</u>
End of year	<u>\$ 13,648,783</u>	<u>\$ 3,764,273</u>	<u>\$ 17,413,056</u>	<u>\$ 20,909,901</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN UNRESTRICTED NET ASSETS

Years Ended September 30, 2014 And 2013

	<u>Unrestricted World Relief</u>	<u>Unrestricted – Non-Controlling Interest In Microfinance Entities</u>	<u>Total</u>
Unrestricted net assets, September 30, 2012	\$ 15,003,046	\$ 396,146	\$ 15,399,192
Change in unrestricted net assets	<u>915,414</u>	<u>331,795</u>	<u>1,247,209</u>
Unrestricted net assets, September 30, 2013	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	<u>\$ 12,718,709</u>	<u>\$ 930,074</u>	<u>\$ 13,648,783</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year Ended September 30, 2014 With Comparative Totals For 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Changes in net assets</i>	\$ (3,496,845)	\$ (1,409,739)
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	434,913	456,322
Gain on recovery of impairment of discontinued operations	-	(1,208,477)
Loss (gain) on disposal of fixed assets	23,257	(28,838)
Net realized and unrealized loss on investments	6,527	12,973
Impairment of minority interest in net assets	352,753	-
Equity in gain on investment in microfinance institution	(1,214,411)	(872,471)
Donated securities	(120,682)	-
(Increase) decrease in		
Receivables	1,778,830	(1,064,500)
Prepaid expenses and other assets	(55,429)	(14,233)
Increase (decrease) in		
Accounts payable and accrued liabilities	865,617	(52,026)
Deferred revenue	<u>82,059</u>	<u>(201,119)</u>
Net cash used in operating activities – continuing operations	(1,343,411)	(1,562,630)
Cash provided by operating activities – discontinued operations	<u>543,331</u>	<u>2,174,873</u>
Net cash provided by (used in) operating activities	<u>(800,080)</u>	<u>612,243</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase and sale of investments, net	(43,236)	(84,616)
Capital expenditures, net	(1,173,322)	(327,102)
Net change in microenterprise and agricultural activities:		
Loans	(746,229)	266,628
Other liabilities	<u>209,800</u>	<u>(142,975)</u>
Net cash used for investing activities – continuing operations	(1,752,987)	(288,065)
Cash provided by investing activities – discontinued operations	<u>56,030</u>	<u>187,555</u>
Net cash used in investing activities	<u>(1,696,957)</u>	<u>(100,510)</u>

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

STATEMENTS OF CASH FLOWS – (Continued)

Year Ended September 30, 2014 With Comparative Totals For 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit and notes payable	\$ 1,007,644	\$ 92,869
Repayments of lines of credit and notes payable	<u>(1,113,089)</u>	<u>(449,521)</u>
Net cash used in financing activities – continuing operations	(105,445)	(356,652)
Cash used in financing activities – discontinued operations	<u>-</u>	<u>(421,461)</u>
Net cash used in financing activities	<u>(105,445)</u>	<u>(778,113)</u>
Net decrease in cash and cash equivalents	(2,602,482)	(266,380)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Cash and cash equivalents at the beginning of the year	<u>9,642,406</u>	<u>9,908,786</u>
Cash and cash equivalents at the end of the year	7,039,924	9,642,406
Less: cash and cash equivalents of discontinued operations	<u>-</u>	<u>620,303</u>
Cash and cash equivalents at the end of the year, net	<u>\$ 7,039,924</u>	<u>\$ 9,022,103</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for interest (excluding discontinued operations)	<u>\$ 133,589</u>	<u>\$ 143,814</u>

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

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended September 30, 2014 With Comparative Totals For 2013

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2014 Total	2013 Comparative Total	General And Administrative	Fundraising	2014 Total	2013 Comparative Total	2014 Total	2013 Comparative Total
Salaries and Related Expenses	\$ 12,713,351	\$ 5,267,725	\$ 863,444	\$ 18,844,520	\$ 18,111,307	\$3,432,663	\$ 1,549,558	\$ 4,982,221	\$ 4,455,148	\$ 23,826,741	\$ 22,566,455
Personnel Benefits	3,019,896	955,755	270,136	4,245,787	3,668,270	816,255	287,132	1,103,387	985,754	5,349,174	4,654,024
Travel	718,232	871,049	188,730	1,778,011	1,605,238	447,316	298,435	745,751	743,550	2,523,762	2,348,788
Board Expenses	-	-	-	-	-	30,716	-	30,716	22,912	30,716	22,912
Communications and Printing	465,280	241,545	40,517	747,342	1,095,412	123,174	259,129	382,303	451,965	1,129,645	1,547,377
Office Expenses	599,317	447,825	52,295	1,099,437	942,800	106,829	64,484	171,313	182,816	1,270,750	1,125,616
Equipment Costs	270,372	865,573	279,959	1,415,904	1,343,612	44,253	21,760	66,013	61,538	1,481,917	1,405,150
Personnel Expenses	162,042	727,291	24,559	911,029	659,631	216,954	124,852	341,806	206,581	1,255,698	866,212
Consulting and Professional Fees	959,650	585,021	66,969	1,618,143	1,548,426	516,505	679,112	1,195,617	848,920	2,807,257	2,397,346
Computer Expense	86,017	19,990	3,370	109,377	112,987	47,875	32,536	80,411	89,913	189,788	202,900
Books and Subscriptions	15,516	5,693	500	21,709	25,650	9,719	9,840	19,559	7,641	41,268	33,291
Property and Liability Insurance	132,335	9,184	-	141,519	77,817	244,208	-	244,208	228,209	385,727	306,026
Interest Expense	-	24,215	-	24,215	28,267	102,556	7,048	109,604	115,539	133,819	143,806
Foreign Exchange	-	54,047	(2,246)	51,801	266,142	(463)	-	(463)	(21,581)	51,338	244,561
Depreciation and Amortization	-	237,617	-	237,617	228,360	197,296	-	197,296	227,962	434,913	456,322
Bad Debt Expense	26,028	175,560	-	201,588	57,699	10,236	-	10,236	59,385	211,824	117,084
Occupancy Costs	1,006,692	558,183	54,208	1,619,083	1,387,481	205,120	5,257	210,377	196,935	1,829,460	1,584,416
Other Expenses	94,436	364,231	15,068	470,095	565,676	89,996	34,533	124,529	196,552	598,264	762,228
Microfinance related	-	30,601	-	30,601	7,829	-	-	-	-	30,601	7,829
Initial Refugee Grants	5,361,099	-	-	5,361,099	4,731,075	-	-	-	-	5,361,099	4,731,075
Other Grants & Specific Assistance	7,245,289	1,015,548	481,430	8,742,267	8,620,464	-	-	-	-	8,742,267	8,620,464
Other Program Costs	7,039	2,779,078	1,379,448	4,165,565	3,697,584	-	-	-	-	4,165,565	3,697,584
Strategic Partnership	-	1,135,086	-	1,135,086	-	-	-	-	-	1,135,086	-
Gifts-in-kind	662,849	725,574	-	1,388,423	859,371	-	-	-	-	1,388,423	859,371
Total Expenses	\$ 33,545,440	\$ 17,096,391	\$ 3,718,387	\$ 54,360,218	\$ 49,641,098	\$ 6,641,208	\$ 3,373,676	\$ 10,014,884	\$ 9,059,739	\$ 64,375,102	\$ 58,700,837

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS

September 30, 2014 And 2013

(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 55% and 33% shareholder in microenterprise entities located in Burundi (Turame) and Cambodia (KREDIT), respectively.

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 three majority owned microenterprise entities. For the microenterprise entity for which World Relief owns less than 100%, non-controlling interest is recorded and included in net assets. Substantially all intercompany accounts and transactions have been eliminated.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

CONCENTRATION OF CREDIT AND OTHER RISKS

World Relief operates in foreign countries, many of which do not have stable governments or economies. To the extent negative events occur in these countries, World Relief may not be able to recover its assets or remove its cash from these countries. Net assets of World Relief's overseas ministry programs were approximately \$5.6 million and \$6.2 million, including \$3.4 million and \$4.5 million, which includes non-controlling interests, relating to the majority-owned microenterprise entities, for the years ended September 30, 2014 and 2013, respectively. Net assets of the majority-owned microenterprise entities accounted for as discontinued operations amounted to approximately \$1.2 million, including non-controlling interest, as of September 30, 2013.

Loans receivable are in connection with World Relief's microenterprise development and agricultural activities (*See Note 5*). Although collateral in the form of land titles is required on most of the loans, the loans are exposed to the risk of default on repayment. World Relief manages this risk through its underwriting process.

World Relief occasionally maintains deposits in excess of federally insured limits. The risk is managed by monitoring the financial institutions in which deposits are made.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2014 And 2014

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, 2014 and 2013 was a decrease to net assets of \$51,338 and \$244,561, 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, 2011 - 2013) or expected to be taken in World Relief’s September 30, 2014 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, 2014 And 2013

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 \$1,388,423 in 2014 and \$859,371 in 2013. 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, 2014 And 2013

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 2014 and 2013. 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, 2013, from which the summarized information was derived.

RECLASSIFICATIONS

Certain reclassifications were made to the 2013 financial statements to conform to the 2014 presentation.

(2) DISCONTINUED OPERATIONS

During the year, 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.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2014 And 2013

Assets and liabilities of discontinued operations as of September 30, 2014 and 2013 are as follows:

<u>Assets</u>	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ -	\$ 620,303
Loans receivable - net	-	552,099
Prepaid expenses and other assets	-	7,239
Plant and equipment – net of accumulated depreciation	-	56,030
Total Assets of Discontinued Operations	<u>\$ -</u>	<u>\$ 1,235,671</u>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ -	\$ 16,007
Total Liabilities of Discontinued Operations	<u>\$ -</u>	<u>\$ 16,007</u>

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

(3) INVESTMENTS

At September 30, 2014 and 2013, investments consisted of the following:

MARKETABLE SECURITIES

	<u>2014</u>		<u>2013</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds	\$ 256,006	\$ 236,685	\$ 130,521	\$ 113,714
Certificates of Deposit	<u>159,834</u>	<u>159,834</u>	<u>125,414</u>	<u>125,414</u>
	<u>\$ 415,840</u>	<u>\$ 396,519</u>	<u>\$ 255,935</u>	<u>\$ 239,128</u>

At September 30, 2014 and 2013, investments had unrealized losses of \$19,321 and \$16,807, respectively.

INVESTMENT RETURN

The following summarizes the investment return for the year ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Net investment income	\$ 195,887	\$ 186,303
Net realized loss	(4,113)	(6,777)
Net unrealized loss	<u>(2,414)</u>	<u>(6,196)</u>
	<u>\$ 189,360</u>	<u>\$ 173,330</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2014 And 2013

(4) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

The summary of inputs used to value World Relief’s investments as of September 30, 2014 are as follows:

	2014			
	<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				
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>

	2013			
	<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				
Mutual Funds	\$ 113,714	\$ 113,714	\$ -	\$ -
Certificate of Deposit	<u>125,414</u>	<u>125,414</u>	<u>-</u>	<u>-</u>
	<u>\$ 239,128</u>	<u>\$ 239,128</u>	<u>\$ -</u>	<u>\$ -</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2014 And 2013

(5) CONTRIBUTIONS RECIEVABLE

As of September 30, 2014 and 2013, contributors to World Relief have made unconditional promises to give as follows:

	<u>2014</u>	<u>2013</u>
Within one year	\$ 509,223	\$ 2,152,776
One to five years	<u>-</u>	<u>308,083</u>
Gross contributions receivable	509,223	2,460,859
Less: Present value discount	<u>-</u>	<u>(12,560)</u>
Total contributions receivable	<u>\$ 509,223</u>	<u>\$ 2,448,299</u>

Included in contributions receivable is approximately \$200,000 and \$1,800,000 in 2014 and 2013, respectively, which relates to a bequest received for general support of World Relief's mission. The estate was validated through probate in June 2013.

(6) MICROENTERPRISE LOANS AND AGRICULTURAL LOANS RECEIVABLE

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

Microfinance loans receivable, excluding amounts that have been reclassified as discontinued operations, and agricultural loans receivable, net at September 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Microenterprise loans (net of allowance of \$113,045 in 2014 and \$133,649 in 2013)	\$ 3,686,259	\$ 2,516,383
Loans to local Nicaraguan and Haitian agricultural loan partners (net of allowance of \$142,700 in 2014 and \$143,236 in 2013)	<u>903,641</u>	<u>1,327,288</u>
	<u>\$ 4,589,900</u>	<u>\$ 3,843,671</u>

Microenterprise loan balances in each location are as follows:

	<u>2014</u>	<u>2013</u>
Turame	\$ 1,495,821	\$ 1,142,604
Hekima	<u>2,190,438</u>	<u>1,373,779</u>
	<u>\$ 3,686,259</u>	<u>\$ 2,516,383</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2014 And 2013

A summary of the activity in the allowance for loan losses for the years ended September 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Balance at beginning of year	\$ 276,885	\$ 327,491
Provision for loan losses	143,108	55,720
Loans written off	<u>(164,248)</u>	<u>(106,326)</u>
	<u>\$ 255,745</u>	<u>\$ 276,885</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 \$1,312,305 and \$1,102,505, as of September 30, 2014 and 2013, respectively and is included in other liabilities in the Statement of Financial Position.

(7) MINORITY INTEREST IN NET ASSETS

Other investments represent World Relief's investment in two microfinance financial institutions, Urwego Opportunity Bank ("**UOB**"), a for-profit bank extending services to the poor of Rwanda, and KREDIT, a for-profit bank for the poor in Cambodia. World Relief's investment was 11.68% and 32.57% in UOB and KREDIT as of September 30, 2014, respectively. The carrying amount of each investment at September 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
UOB	\$ 530,696	\$ 883,449
KREDIT	<u>5,623,132</u>	<u>4,408,721</u>
	<u>\$ 6,153,828</u>	<u>\$ 5,292,170</u>

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. Additionally, subsequent to year-end, World Relief sold approximately 90% of its investment in UOB.

(8) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 1,231	\$ 1,325
Buildings	2,435,642	2,089,467
Work-in-progress	1,115,386	682,592
Computers, office and other equipment	3,797,444	3,794,093
Vehicles	<u>2,971,884</u>	<u>2,696,523</u>
	10,321,587	9,264,000
Less: accumulated depreciation	<u>6,115,204</u>	<u>5,772,769</u>
Net value	<u>\$ 4,206,383</u>	<u>\$ 3,491,231</u>

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2014 And 2013

(9) DEBT

A summary of long-term debt is as follows:

	<u>2014</u>	<u>2013</u>
<u>General</u>		
\$1,598,000 term loan with a bank bearing interest at a rate of 5.99% payable in full by September 27, 2021. This term loan is secured by substantially all assets of World Relief and subject to certain financial covenants including minimum unrestricted net assets and debt service coverage. World Relief complies with such covenants as of September 30, 2014. Proceeds from this term loan were used to repay outstanding term loans noted above.	\$ 1,463,360	\$ 1,510,985
\$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.	202,738	291,165
Other notes payable	<u>516,236</u>	<u>201,851</u>
Total General Debt	<u>2,182,334</u>	<u>2,004,001</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 is used for lending to a local agricultural loan partner in Nicaragua and there is a loan receivable for this same amount (<i>See Note 5</i>).	1,100,000	1,360,000
Various other loans payable with maturities through 2014 and interest rates ranging from 0% - 6.5%.	<u>1,029,507</u>	<u>1,053,285</u>
Total microenterprise/agricultural debt	<u>2,129,507</u>	<u>2,413,285</u>
Total debt	<u>\$ 4,311,841</u>	<u>\$ 4,417,286</u>

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2014 And 2013

Microenterprise/Agricultural development loans by location are as follows:

	<u>2014</u>	<u>2013</u>
Turame	\$ 249,848	\$ 256,182
Hekima	779,659	797,103
Nicaragua	<u>1,100,000</u>	<u>1,360,000</u>
Total debt	<u>\$ 2,129,507</u>	<u>\$ 2,413,285</u>

World Relief has available a \$2,000,000 line of credit with a bank. Interest is charged at the one month LIBOR plus 2.75% subject to a minimum rate of 4.25%. No amounts were outstanding at September 30, 2014 and 2013. The line of credit expires on June 30, 2016.

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

	<u>General</u>	<u>Microenterprise/ Agricultural Development</u>	<u>Total</u>
2015	\$ 484,840	\$ 979,507	\$ 1,464,347
2016	217,027	450,000	667,027
2017	88,370	200,000	288,370
2018	94,220	200,000	294,220
2019	100,461	200,000	300,461
2020 and thereafter	<u>1,197,416</u>	<u>100,000</u>	<u>1,297,416</u>
	<u>\$ 2,182,334</u>	<u>\$ 2,129,507</u>	<u>\$ 4,311,841</u>

Interest expense, excluding amounts related to discontinued operations, for the years ended September 30, 2014 and 2013 was approximately \$134,000 and \$144,000, respectively.

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2014 And 2013

(10) NET ASSETS

Unrestricted net assets at September 30, 2014 and 2013 consist of the following:

	<u>2014</u>	<u>2013</u>
Microenterprise/agricultural development activities	\$ 8,156,589	\$ 8,795,156
General unrestricted	4,562,120	7,123,304
Non-controlling interest	<u>930,074</u>	<u>727,941</u>
	<u>\$ 13,648,783</u>	<u>\$ 16,646,401</u>

Temporarily restricted net assets at September 30, 2014 and 2013 are available for the following purposes:

	<u>2014</u>	<u>2013</u>
USA Programs	\$ 1,460,096	\$ 710,258
Overseas Programs		
Headquarters	963,368	1,526,974
Field	330,989	347,006
Disaster Response		
Headquarters	236,688	477,842
Field	32,696	162,644
General	<u>740,436</u>	<u>1,038,776</u>
	<u>\$ 3,764,273</u>	<u>\$ 4,263,500</u>

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

Purposes restrictions accomplished:

USA Programs	\$ 1,372,775
Overseas Programs	5,770,227
Disaster Response	1,078,016
General Programs	<u>2,391,768</u>
	<u>\$ 10,612,786</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 \$405,758 and \$248,799 to the plan in 2014 and 2013, respectively.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2014 And 2013

(12) COMMITMENTS AND CONTINGENCIES

COMMITMENTS

World Relief incurred approximately \$1,463,000 and \$1,291,000 of rent expense related to leases for facilities for the years ending September 30, 2014 and 2013, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2014, were as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ 401,670
2016	296,954
2017	197,925
2018	147,735
2019	32,450
2020 and thereafter	<u>30,250</u>
	<u>\$ 1,106,984</u>

(13) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2014 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>2014 Total</u>
Agriculture	\$ -	\$ 79,170	\$ -	\$ 475,318	\$ 2,177,205	\$ 226,950	\$ 13,216	\$ 2,971,859
Anti-Trafficking	-	-	434,311	-	-	-	51,077	485,388
Child Development	-	-	-	-	226,088	167,992	91,317	485,397
Emergency Relief	-	523,097	-	25,387	3,154,749	12,059	-	3,715,292
HIV/AIDS	-	86,800	-	16,725	402,444	1,879,217	558,797	2,943,983
Local Partner Strengthening	1,135,086	5,412	305,217	228,870	1,111,554	272,858	262,942	3,321,939
Maternal And Child Health	-	166,745	(3,774)	192,812	2,594,570	996,537	13,298	3,960,188
Micro Economic Development	-	238,280	452,645	311,710	2,213,757	132,355	229,673	3,578,420
Refugee Resettlement	-	-	27,380,927	-	-	-	-	27,380,927
Service to Immigrants	-	-	4,976,114	-	-	-	-	4,976,114
Integrated Programming	-	23,313	-	-	416,509	86,189	14,700	540,711
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>
2013 Totals	<u>\$ -</u>	<u>\$ 769,528</u>	<u>\$ 31,305,864</u>	<u>\$ 1,848,193</u>	<u>\$ 10,838,528</u>	<u>\$ 3,514,406</u>	<u>\$ 1,364,579</u>	<u>\$ 49,641,098</u>

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

September 30, 2014 And 2013

(14) SUPPORT AND REVENUE BY TYPE

Support and revenue by type for the years ending September 30, 2014 and 2013 are as follows:

	<u>2014</u>	<u>2013</u>
Private contributions – Unrestricted	\$ 2,884,397	\$ 4,749,801
Private restricted (International – except Emergency)	6,312,893	7,061,655
Private restricted (Emergency Relief)	706,914	1,285,009
Private restricted (U.S.)	2,288,752	2,064,099
Private restricted (General)	<u>805,000</u>	<u>1,554,250</u>
Subtotal Private Contributions	<u>12,997,956</u>	<u>16,714,814</u>
Government grants (Federal to U.S. – direct receipt)	23,245,376	20,476,754
Government grants (Federal to International – direct receipt)	3,529,244	2,562,986
Government grants (Federal to U.S. – sub award)	5,263,374	5,264,557
Government grants (Federal to International – sub award)	<u>2,055,839</u>	<u>1,988,085</u>
Subtotal Government Grants	<u>34,093,833</u>	<u>30,292,382</u>
Other grants/contracts (U.S. to U.S.)	2,749,334	2,524,586
Other grants/contracts (International to International)	<u>4,317,836</u>	<u>3,634,331</u>
Subtotal Other Grants/Contracts	<u>7,067,170</u>	<u>6,158,917</u>
Fees for services (U.S.)	2,480,771	2,388,585
Fees for services (International)	<u>1,919,423</u>	<u>1,944,214</u>
Subtotal Fees for Services	<u>4,400,194</u>	<u>4,332,799</u>
Gift in kind (U.S.)	725,574	169,362
Gift in kind (Emergency Relief)	662,849	690,009
Miscellaneous income	1,054,411	715,798
Investments and gains/losses	<u>189,360</u>	<u>174,319</u>
Subtotal Other Income	<u>2,632,194</u>	<u>1,749,488</u>
Total Support and Revenue	<u>\$ 61,191,347</u>	<u>\$ 59,248,400</u>

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2014 And 2013

(15) SUMMARY OF FISCAL YEAR 2014 LOSS ON THE AUDITED FINANCIALS

The net deficit reflected in the Fiscal Year 2014 audited financial statements comprises two loss categories. The first, is derived from non-cash bearing and programmatic activities on the year. The second is the result of programmatic activities with cash-related implications on the fiscal year. Part of the surplus in FY2013 has been applied towards programmatic growth and is part of the resulting loss in FY2014. The summary highlighting the \$3.4 million loss is provided below.

NON-CASH RELATED LOSS HIGHLIGHTS

- 1) **\$1,151,840** ~ Expenses related to closing out of World Relief's Microfinance Institution (MFI) in Southeastern Europe and donation of its assets to a partner organization per organizational strategy to divest of its microfinance activities in the location.
- 2) **\$352,753** ~ Reduction in ownership value of one of World Relief's Eastern Africa MFI investments, resulting from investment increases by other shareholders partnering with World Relief which also prepared World Relief for a partial sale of investment in FY2015 as part of its strategy.
- 3) **\$294,497** ~ World Relief's donation to its partner in Latin America by writing off a loan receivable, thereby reducing the debt owed to World Relief.

CASH RELATED LOSS HIGHLIGHTS

- 1) **\$1,024,127** ~ Net costs related to the expansion of World Relief's program activities through its board-approved strategic partnership with a European non-profit organization.
- 2) **\$580,142** ~ Country Programs, reflecting the total cost of unrestricted net assets released to cover program expenses above realized revenue for World Relief private-revenue budgetary commitments in Eastern Africa.

(16) SUBSEQUENT EVENTS

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, January 29, 2015, have been evaluated in the preparation of the financial statements.