

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

*FINANCIAL STATEMENTS AND  
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

**SEPTEMBER 30, 2011**

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

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*TAIT, WELLER & BAKER LLP*  
*Certified Public Accountants*

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying consolidated statement of financial position of World Relief Corporation of National Association of Evangelicals (“World Relief”) as of September 30, 2011, and the related consolidated statements of activities and changes in net assets, of cash flows and of functional expenses for the year then ended. These consolidated financial statements are the responsibility of World Relief’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year comparative information has been derived from World Relief’s 2010 financial statements prior to the restatement of net assets described in Note 14 to the financial statements and, in our report dated January 20, 2011, we expressed an unqualified opinion on those financial statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Relief Corporation of National Association of Evangelicals as of September 30, 2011, and the changes in its net assets, its cash flows and its functional expenses for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

*Tait, Weller & Baker LLP*

**Philadelphia, Pennsylvania  
January 24, 2012**

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**September 30, 2011 and 2010**

<b>ASSETS</b>	<b><u>2011</u></b>	<b><u>2010</u></b>
Cash and cash equivalents	\$ 8,654,820	\$ 6,500,876
Investments, at market ( <i>Note 3</i> )	186,094	218,846
Receivables:		
Grants	3,178,937	3,745,021
Other	264,397	233,730
Microenterprise and agricultural loans – net ( <i>Note 5</i> )	4,631,350	4,979,450
Prepaid expenses and other assets	673,709	855,369
Agricultural assets to be transferred	-	300,000
Minority interest in net assets ( <i>Note 6</i> )	883,449	884,249
Plant and equipment – net of accumulated depreciation ( <i>Note 7</i> )	3,351,164	3,131,903
Assets of entity held for sale ( <i>Note 2</i> )	43,826,378	32,589,194
Assets of discontinued operations ( <i>Note 2</i> )	<u>6,744,706</u>	<u>8,523,971</u>
<b>Total assets</b>	<b><u>\$ 72,395,004</u></b>	<b><u>\$ 61,962,609</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts payable and accrued liabilities	\$ 2,832,819	\$ 2,921,485
Deferred revenue	291,745	39,530
Agricultural assets to be transferred	-	300,000
Long-term debt ( <i>Note 8</i> ):		
General	2,319,839	3,252,779
Microenterprise/Agricultural development	2,469,228	2,196,711
Other liabilities	1,010,031	1,173,342
Liabilities of entity held for sale ( <i>Note 2</i> )	35,646,968	25,949,763
Liabilities of discontinued operations ( <i>Note 2</i> )	<u>3,964,964</u>	<u>4,188,698</u>
<b>Total liabilities</b>	<b><u>48,535,594</u></b>	<b><u>40,022,308</u></b>
Net Assets		
Unrestricted		
Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding	1,000	1,000
Non-controlling interest	2,207,604	1,341,170
Net assets	<u>16,657,257</u>	<u>16,476,320</u>
<b>Total unrestricted net assets</b>	<b>18,865,861</b>	<b>17,818,490</b>
Temporarily restricted net assets ( <i>Note 9</i> )	<u>4,993,549</u>	<u>4,121,811</u>
<b>Total net assets</b>	<b><u>23,859,410</u></b>	<b><u>21,940,301</u></b>
	<b><u>\$ 72,395,004</u></b>	<b><u>\$ 61,962,609</u></b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year ended September 30, 2011 with comparative totals for 2010**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>Support and Revenue</b>				
Contributions and non U.S. federal, state, and local government grants	\$ 3,814,206	\$ 15,589,049	\$ 19,403,255	\$ 22,305,683
U.S. federal, state, and local government grants	31,037,682	-	31,037,682	32,713,834
MED banking revenue	11,242,591	-	11,242,591	8,416,732
Other revenue	3,553,360	-	3,553,360	3,014,523
Net assets released from restrictions ( <i>Note 9</i> )	<u>14,717,311</u>	<u>(14,717,311)</u>	<u>-</u>	<u>-</u>
<b>Total support and revenue (<i>Note 13</i>)</b>	<u>64,365,150</u>	<u>871,738</u>	<u>65,236,888</u>	<u>66,450,772</u>
<b>Expenses</b>				
Program Ministries				
USA Programs	25,578,021	-	25,578,021	24,443,107
Overseas Programs	21,220,658	-	21,220,658	18,925,402
Disaster Response	<u>6,265,267</u>	<u>-</u>	<u>6,265,267</u>	<u>8,803,057</u>
<b>Total program ministries</b>	<u>53,063,946</u>	<u>-</u>	<u>53,063,946</u>	<u>52,171,566</u>
Support Ministries				
General and administrative	5,683,813	-	5,683,813	6,371,473
Fundraising	<u>3,014,489</u>	<u>-</u>	<u>3,014,489</u>	<u>4,010,070</u>
<b>Total support ministries</b>	<u>8,698,302</u>	<u>-</u>	<u>8,698,302</u>	<u>10,381,543</u>
<b>Total expenses</b>	<u>61,762,248</u>	<u>-</u>	<u>61,762,248</u>	<u>62,553,109</u>
<b>Excess of revenue over expenses</b>	2,602,902	871,738	3,474,640	3,897,663
<b>Other changes</b>				
Loss on discontinued operations	(347,054)	-	(347,054)	(448,241)
Loss on impairment of discontinued operations ( <i>Note 2</i> )	(1,208,477)	-	(1,208,477)	-
Transfer of microenterprise assets and related income and expense ( <i>Note 5</i> )	<u>-</u>	<u>-</u>	<u>-</u>	<u>(300,000)</u>
<b>Change in net assets</b>	1,047,371	871,738	1,919,109	3,149,422
<b>Net Assets</b>				
Beginning of year	<u>17,818,490</u>	<u>4,121,811</u>	<u>21,940,301</u>	<u>18,790,879</u>
<b>End of year</b>	<u>\$ 18,865,861</u>	<u>\$ 4,993,549</u>	<u>\$ 23,859,410</u>	<u>\$ 21,940,301</u>

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

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

**Years ended September 30, 2011 and 2010**

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	<b><u>Unrestricted World Relief</u></b>	<b><u>Unrestricted – Non-Controlling Interest In Microfinance Entities</u></b>	<b><u>Total</u></b>
Unrestricted net assets, September 30, 2009	\$ 16,449,349	\$ 1,090,373	\$ 17,539,722
Change in unrestricted net assets	<u>27,971</u>	<u>250,797</u>	<u>278,768</u>
Unrestricted net assets, September 30, 2010	16,477,320	1,341,170	17,818,490
Change in unrestricted net assets	<u>180,937</u>	<u>866,434</u>	<u>1,047,371</u>
Unrestricted net assets, September 30, 2011	<u>\$ 16,658,257</u>	<u>\$ 2,207,604</u>	<u>\$ 18,865,861</u>

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**Year ended September 30, 2011 with comparative totals for 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Changes in net assets</i>	\$ 1,919,109	\$ 3,149,422
<i>Adjustments to reconcile changes in net assets to net cash from operating activities</i>		
Depreciation and amortization	429,927	356,537
Loss on impairment of discontinued operations	1,208,477	-
Gain on disposal of fixed assets	(40,551)	(65,447)
Net realized and unrealized loss on investments	2,539	1,042
Equity in loss on investment in microfinance institution	800	92,858
(Increase) decrease in		
Receivables	535,417	825,142
Prepaid expenses and other assets	181,660	23,082
Increase (decrease) in		
Accounts payable and accrued liabilities	(88,666)	(545,980)
Deferred revenue	252,215	(260,645)
Cash provided by operating activities of entity held for sale	<u>635,630</u>	<u>485,627</u>
Net cash provided by operating activities – continuing operations	5,036,557	4,061,638
Cash used for operating activities – discontinued operations	<u>(106,022)</u>	<u>207,202</u>
<b>Net cash provided by operating activities</b>	<u>4,930,535</u>	<u>4,268,840</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase and sale of investments, net	30,213	166,947
Capital expenditures, net	(608,637)	(373,737)
Net change in microenterprise and agricultural activities:		
Loans	348,100	(1,007,799)
Other liabilities	(163,311)	438,890
Cash used for investing activities of entity held for sale	<u>(8,281,210)</u>	<u>(9,747,436)</u>
Net cash used for investing activities – continuing operations	(8,674,845)	(10,523,135)
Cash used for investing activities – discontinued operations	<u>(221,171)</u>	<u>(1,327,067)</u>
<b>Net cash used for investing activities</b>	<u>(8,896,016)</u>	<u>(11,850,202)</u>

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

*STATEMENTS OF CASH FLOWS – (Continued)*

**Year ended September 30, 2011 with comparative totals for 2010**

	<u>2011</u>	<u>2010</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from lines of credit and notes payable	\$ 2,815,636	\$ 233,382
Repayments of lines of credit and notes payable	(3,476,059)	(476,019)
Cash provided by financing activities of entity held for sale	<u>7,042,475</u>	<u>7,863,880</u>
Net cash provided for by financing activities – continuing operations	6,382,052	7,621,243
Cash used for financing activities – discontinued operations	<u>(111,876)</u>	<u>2,488,756</u>
<b>Net cash provided by financing activities</b>	<u>6,270,176</u>	<u>10,109,999</u>
<b>Net increase in cash and cash equivalents</b>	2,304,695	2,528,637
<b>CASH, CASH EQUIVALENTS AND RESTRICTED CASH</b>		
Cash and cash equivalents at the beginning of the year	<u>9,667,497</u>	<u>7,138,860</u>
Cash and cash equivalents at the end of the year	11,972,192	9,667,497
Less: cash and cash equivalents of entity held for sale	3,201,273	2,264,400
Less: cash and cash equivalents of discontinued operations	<u>116,099</u>	<u>902,221</u>
Cash and cash equivalents at the end of the year, net	<u>\$ 8,654,820</u>	<u>\$ 6,500,876</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	<u>\$ 3,428,577</u>	<u>\$ 2,387,481</u>



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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**Year ended September 30, 2011 with comparative totals for 2010**

	Program Ministries					Supporting Ministries				Total Expenses	
	USA Programs	Overseas Programs	Disaster Response	2011 Total	2010 Comparative Total	General And Administrative	Fundraising	2011 Total	2010 Comparative Total	2011 Total	2010 Comparative Total
Salaries and Related Expenses	\$ 9,687,510	\$ 7,616,807	\$ 1,515,025	\$ 18,819,342	\$ 17,644,999	\$2,800,580	\$ 1,410,094	\$4,210,674	\$ 5,110,044	\$ 23,030,016	\$ 22,755,043
Personnel Benefits	2,390,382	1,024,493	350,614	3,765,489	3,521,606	560,335	282,341	842,676	867,230	4,608,165	4,388,836
Travel	466,494	756,002	267,079	1,489,575	1,680,184	306,241	173,452	479,693	541,523	1,969,268	2,221,707
Board Expenses	-	-	-	-	-	41,074	-	41,074	20,728	41,074	20,728
Communications and Printing	304,939	323,410	121,051	749,400	677,318	176,434	406,586	583,020	962,612	1,332,420	1,639,930
Office Expenses	414,010	476,663	62,292	952,965	1,007,170	74,440	106,158	180,598	358,006	1,133,563	1,365,176
Equipment Costs	206,814	1,391,473	464,178	2,062,465	1,853,247	26,044	500	26,544	30,530	2,089,009	1,883,777
Personnel Expenses	125,663	954,311	167,777	1,247,751	961,608	114,710	24,518	139,228	203,526	1,386,979	1,165,134
Consulting and Professional Fees	496,569	376,635	78,792	951,996	845,481	360,088	199,073	559,161	667,457	1,511,157	1,512,938
Computer Expense	105,101	34,959	16,477	156,537	131,664	29,842	36,308	66,150	67,233	222,687	198,897
Books and Subscriptions	12,183	2,569	1,223	15,975	17,004	4,894	2,274	7,168	9,130	23,143	26,134
Property and Liability Insurance	73,030	5,164	-	78,194	5,195	196,140	-	196,140	248,665	274,334	253,860
Interest Expense	9,596	2,774,779	-	2,784,375	1,865,171	293,445	8,338	301,783	428,626	3,086,158	2,293,797
Foreign Exchange	-	(71,812)	(250,248)	(322,060)	157,338	72	-	72	15	(321,988)	157,353
Depreciation and Amortization	-	417,960	22,034	439,994	406,896	187,872	-	187,872	139,811	627,866	546,707
Bad Debt Expense	-	56,543	-	56,543	217,019	-	-	-	10,371	56,543	227,390
Occupancy Costs	789,044	719,051	250,808	1,758,903	1,628,000	191,614	2,864	194,478	354,835	1,953,381	1,982,835
Other Expenses	91,752	206,283	68,931	366,966	421,945	317,357	13,131	330,488	296,761	697,454	718,706
Microfinance related	-	546,698	-	546,698	342,094	250	-	250	-	546,948	342,094
Initial Refugee Grants	3,650,573	-	-	3,650,573	4,177,771	-	-	-	-	3,650,573	4,177,771
Other Grants & Specific Assistance	6,372,425	446,704	1,417,109	8,236,238	7,258,573	1,970	348,552	350,522	59,879	8,586,760	7,318,452
Other Program Costs	32	3,161,966	1,413,177	4,575,175	6,716,031	411	300	711	4,561	4,575,886	6,720,592
Gifts-in-kind	381,904	-	298,948	680,852	635,252	-	-	-	-	680,852	635,252
<b>Total Expenses</b>	<b>\$ 25,578,021</b>	<b>\$21,220,658</b>	<b>\$ 6,265,267</b>	<b>\$ 53,063,946</b>	<b>\$ 52,171,566</b>	<b>\$5,683,813</b>	<b>\$ 3,014,489</b>	<b>\$ 8,698,302</b>	<b>\$10,381,543</b>	<b>\$ 61,762,248</b>	<b>\$ 62,553,109</b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS

September 30, 2011 and 2010

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### (1) SIGNIFICANT ACCOUNTING POLICIES

#### **ORGANIZATION AND PURPOSE**

World Relief Corporation of National Association of Evangelicals ("*World Relief*") is a not-for-profit, charitable organization and a wholly owned subsidiary of The National Association of Evangelicals, a not-for-profit religious organization. World Relief is a 100% shareholder in two microenterprise entities in Kosovo (BZMF) and Democratic Republic of Congo (Hekima), and is a 78% and 79% shareholder in microenterprise entities located in Burundi (Turame) and Cambodia (CREDIT), respectively.

#### **PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the accounts of World Relief and the four microenterprise entities. For the microenterprise entities 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.

#### **SUBSEQUENT EVENTS**

Subsequent events after the statement of financial position date through the date that the financial statements were available for issuance, January 24, 2012, have been evaluated in the preparation of the financial statements.

#### **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 \$18.9 million and \$16.9 million, including \$14.9 million and \$13.9 million, which includes non-controlling interests, relating to the majority-owned microenterprise entities, for the years ended September 30, 2011 and 2010, respectively. Net assets of the majority-owned microenterprise entities and held for sale and discontinued operations amounted to approximately \$10.9 million and \$10.8 million, including non-controlling interest, as of September 30, 2011 and 2010, respectively.

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

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

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

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

**September 30, 2011 and 2010**

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### ***FOREIGN CURRENCY TRANSLATION***

World Relief has foreign branch offices in many countries. Assets and liabilities for these foreign branch offices and the majority-owned microenterprise entities are translated at the rates of exchange at the balance sheet date while income statement accounts are translated at the average exchange rates in effect during the period. The effect of such translation adjustments, excluding the amount related to discontinued operations, for the year ended September 30, 2011 was an increase to net assets of \$321,988. For the year ending September 30, 2010 such adjustments resulted in a decrease to net assets of \$157,353.

### ***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, 2008 - 2010) or expected to be taken in World Relief’s September 30, 2011 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, 2011 and 2010

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### ***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.

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.”*

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

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

**September 30, 2011 and 2010**

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### ***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 \$680,352 in 2011 and \$635,252 in 2010. 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 approximately 95% 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. More than 32,000 people volunteered with World Relief in each of the years 2011 and 2010. 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, 2010, from which the summarized information was derived.

#### ***RECLASSIFICATION***

Certain reclassifications were made to the prior year financial statements to conform to the current year presentation.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

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### (2) ASSETS AND LIABILITIES OF BUSINESSES HELD FOR SALE AND DISCONTINUED OPERATIONS

#### *ASSETS AND LIABILITIES OF THE ENTITY HELD FOR SALE*

In September 2011, World Relief entered into an agreement to sell a portion of its microfinance entity, CREDIT, to Phillips MFIs Pte Ltd, a company incorporated under the laws of Singapore, for approximately \$3,200,000 in cash. The sale is pending the approval of the Ministry of Commerce of Cambodia and is expected to take place in the beginning of 2012. As a result of the sale, World Relief's ownership interest will decrease from 79.04% to 32.57%. World Relief will account for their continued interest in CREDIT under the equity method. World Relief expects to recognize a gain in 2012 from the sale. The carrying amount of the major classes of assets and liabilities included in the sale as of September 30, 2011 and 2010 is as follows:

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 3,201,273	\$ 2,264,400
Loans receivable - net	39,728,655	29,625,141
Prepaid expenses and other assets	415,295	281,261
Plant and equipment – net of accumulated depreciation	<u>481,155</u>	<u>418,392</u>
<b>Total Assets Held for Sale</b>	<b><u>\$ 43,826,378</u></b>	<b><u>\$ 32,589,194</u></b>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 2,038,594	\$ 1,289,448
Deferred revenue	20,519	-
Other liabilities	2,587,841	702,775
Long-term debt	<u>31,000,014</u>	<u>23,957,540</u>
<b>Total Liabilities Held for Sale</b>	<b><u>\$ 35,646,968</u></b>	<b><u>\$ 25,949,763</u></b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

### DISCONTINUED OPERATIONS

In July 2011, World Relief commenced plans to sell its wholly owned microfinance entity, BZMF. World Relief expects to sell all of its ownership in BZMF within a year. In connection with the plans to sell BZMF, World Relief recorded its carrying value of BZMF at the lower of cost or fair market value and recognized an impairment loss of \$1,208,477. The operating results of BZMF have been reclassified as discontinued operations. Assets and liabilities of discontinued operations as of September 30, 2011 and 2010 are as follows:

<u>Assets</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 116,099	\$ 902,222
Loans receivable - net	6,221,727	7,319,539
Prepaid expenses and other assets	60,482	66,319
Plant and equipment – net of accumulated depreciation	<u>346,398</u>	<u>235,891</u>
<b>Total Assets of Discontinued Operations</b>	<b><u>\$ 6,744,706</u></b>	<b><u>\$ 8,523,971</u></b>
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$ 74,600	\$ 101,005
Deferred revenue	-	85,453
Long-term debt	<u>3,890,364</u>	<u>4,002,240</u>
<b>Total Liabilities of Discontinued Operations</b>	<b><u>\$ 3,964,964</u></b>	<b><u>\$ 4,188,698</u></b>

### (3) INVESTMENTS

At September 30, 2011 and 2010, investments consisted of the following:

#### MARKETABLE SECURITIES

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
Mutual Funds	\$122,635	\$ 113,118	\$ 118,624	\$ 110,701
Certificates of Deposit	<u>72,976</u>	<u>72,976</u>	<u>108,145</u>	<u>108,145</u>
	<b><u>\$195,611</u></b>	<b><u>\$ 186,094</u></b>	<b><u>\$ 226,769</u></b>	<b><u>\$ 218,846</u></b>

At September 30, 2011 and 2010, investments had unrealized losses of \$9,517 and \$7,923, respectively.

#### INVESTMENT RETURN

The following summarizes the investment return for the year ended September 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Net investment income	\$61,638	\$21,222
Net realized gain (loss)	(964)	(2,310)
Net unrealized gain (loss)	<u>(1,575)</u>	<u>1,268</u>
	<b><u>\$59,099</u></b>	<b><u>\$20,180</u></b>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

### (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, 2011 are as follows:

	<b>2011</b>			
	<b>Total</b>	<b>Level 1 Quoted Prices</b>	<b>Level 2 Other Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>
<b>Investments</b>				
Mutual Funds	\$ 113,118	\$ 113,118	\$ -	\$ -
Certificate of Deposit	<u>72,976</u>	<u>72,976</u>	<u>-</u>	<u>-</u>
	<u>\$ 186,094</u>	<u>\$ 186,094</u>	<u>\$ -</u>	<u>\$ -</u>

	<b>2010</b>			
	<b>Total</b>	<b>Level 1 Quoted Prices</b>	<b>Level 2 Other Significant Observable Inputs</b>	<b>Level 3 Significant Unobservable Inputs</b>
<b>Investments</b>				
Mutual Funds	\$ 110,701	\$ 110,701	\$ -	\$ -
Certificate of Deposit	<u>108,145</u>	<u>108,145</u>	<u>-</u>	<u>-</u>
	<u>\$ 218,846</u>	<u>\$ 218,846</u>	<u>\$ -</u>	<u>\$ -</u>
Interest Rate Swap-Obligation	<u>\$(235,123)</u>	<u>\$ -</u>	<u>\$(235,123)</u>	<u>\$ -</u>



# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2011 and 2010**

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### (5) 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 for entities which are held for sale, and agricultural loans receivable, net at September 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Microenterprise loans (net of allowance of \$187,602 in 2011 and \$24,985 in 2010)	\$ 2,715,634	\$ 2,931,255
Loans to local Nicaraguan and Haitian agricultural loan partners (net of allowance of \$145,145 in 2011 and \$144,970 in 2010)	<u>1,915,716</u>	<u>2,048,195</u>
	<u>\$ 4,631,350</u>	<u>\$ 4,979,450</u>

Microenterprise loan balances in each location are as follows:

	<u>2011</u>	<u>2010</u>
Turame	\$ 1,362,561	\$ 1,802,491
Hekima	1,353,073	1,128,324
United States	<u>-</u>	<u>440</u>
	<u>\$ 2,715,634</u>	<u>\$ 2,931,255</u>

A summary of the activity in the allowance for loan losses for the years ended September 30, 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Balance at beginning of year	\$ 169,955	\$ 153,504
Provision for loan losses	176,582	34,031
Loans written off	<u>(13,790)</u>	<u>(17,580)</u>
	<u>\$ 332,747</u>	<u>\$ 169,955</u>

At September 30, 2010, agricultural loans in the amount of \$300,000 were approved to be transferred to a local nonprofit organization.

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 \$1,010,031 and \$1,173,342, as of September 30, 2011 and 2010, respectively and is included in other liabilities in the Statement of Financial Position.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

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### (6) MINORITY INTEREST IN NET ASSETS

Other investments represent World Relief’s investment in a microfinance financial institution, Urwego Opportunity Bank (“**UOB**”), a for-profit bank extending services to the poor of Rwanda. World Relief’s investment was 17% and 20.5% as of September 30, 2011 and 2010, respectively, in UOB. The carrying amount of the investment was \$883,449 and \$884,249 as of September 30, 2011 and 2010, respectively. World Relief had been carrying this investment at equity until its investment percentage decreased below 20%; at such time, the equity amount became the carrying value.

### (7) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 10,000	\$ 10,000
Buildings	1,990,689	2,040,086
Work-in-progress	219,532	-
Computers, office and other equipment	3,912,884	3,882,725
Vehicles	<u>2,476,460</u>	<u>2,168,842</u>
	8,609,565	8,101,653
Less: accumulated depreciation	<u>5,258,401</u>	<u>4,969,750</u>
Net value	<u>\$ 3,351,164</u>	<u>\$ 3,131,903</u>

### (8) DEBT

A summary of long-term debt is as follows:

	<u>2011</u>	<u>2010</u>
<b><u>General</u></b>		
\$2,400,000 term loan with a bank bearing interest at a rate of 7.42% payable in full by June 10, 2013. This term loan was repaid in 2011 with the proceeds from term loans entered into below. <sup>(a)</sup>	\$ -	\$ 2,274,889
\$700,000 term loan with a bank bearing interest at a rate of 7.32% payable in full by June 10, 2015. This term loan was paid-off in 2011 with the proceeds from term loans entered into below.	-	520,560
\$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, 2011. Proceeds from this term loan were used to repay outstanding term loans noted above.	1,598,000	-

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<p>\$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.</p>	459,000	-
<p>Two \$125,000 loans payable to the City of Baltimore bearing 4% interest and maturing November 1, 2011. The first loan is payable in monthly installments of \$1,266. Interest and principal on the second loan was deferred for three years and then is payable in monthly installments of \$1,921 beginning December 1, 2004.</p>	8,935	46,109
<p>Note payable with a bank in monthly installments of \$2,100 with an interest rate of 7.25%. All remaining principal and accrued interest was paid during 2011. The note is subject to certain financial covenants and is secured by a mortgage on land and a building in Atlanta, Georgia.</p>	-	145,829
Other notes payable	<u>253,904</u>	<u>265,392</u>
Total General Debt	<u>2,319,839</u>	<u>3,252,779</u>
 <b><u>Microenterprise/Agricultural Development</u></b>		
<p>\$2,000,000 loan payable from an individual with interest at 9% through March 31, 2011 and 0% forward, payable in annual installments of \$160,000 beginning March 31, 2010 with a balloon payment of \$1,360,000 due on March 31, 2014. This loan is used for lending to a local agricultural loan partner in Nicaragua and there is a loan receivable for this same amount (<i>See Note 5</i>).</p>	1,680,000	1,840,000
<p>Various other loans payable with maturities through 2014 and interest rates ranging from 0% - 6.4%.</p>	<u>789,228</u>	<u>356,711</u>
Total microenterprise/agricultural debt	<u>2,469,228</u>	<u>2,196,711</u>
Total debt	<u>\$ 4,789,067</u>	<u>\$ 5,449,490</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2011 and 2010**

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Microenterprise/Agricultural development loans by location are as follows:

	<u>2011</u>	<u>2010</u>
Turame	\$ 110,233	\$ 55,300
Hekima	678,995	301,411
Nicaragua	<u>1,680,000</u>	<u>1,840,000</u>
Total debt	<u>\$ 2,469,228</u>	<u>\$ 2,196,711</u>

(a) On June 10, 2008, World Relief entered into an interest rate swap agreement, which terminated with the repayment of the term loan in 2011. The agreement provided for World Relief to swap their variable rate of interest to a fixed interest rate of 7.42%. At September 30, 2010, the fair value of the swap instrument was \$235,123 in favor of the bank and is included in accounts payable and accrued liabilities in the Statement of Financial Position.

During 2011, World Relief executed a \$1,000,000 line of credit with a bank. Interest is charged at the one month LIBOR plus 2.75% subject to a minimum rate of 4.25%. No amounts were outstanding at September 30, 2011. The line of credit expires on September 27, 2012.

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

	<u>General</u>	<u>Microenterprise/ Agricultural Development</u>	<u>Total</u>
2012	\$ 155,519	\$ 467,323	\$ 622,842
2013	154,391	296,000	450,391
2014	162,636	1,705,905	1,868,541
2015	171,342	-	171,342
2016	190,186	-	190,186
2017 and thereafter	<u>1,485,765</u>	<u>-</u>	<u>1,485,765</u>
	<u>\$ 2,319,839</u>	<u>\$ 2,469,228</u>	<u>\$ 4,789,067</u>

Interest expense, excluding amounts related to discontinued operations, for the years ended September 30, 2011 and 2010 was \$3,084,255 and \$2,293,762, respectively.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

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### (9) NET ASSETS

Unrestricted net assets at September 30, 2011 and 2010 consist of the following:

	<u>2011</u>	<u>2010</u>
Microenterprise/agricultural development activities	\$ 15,847,149	\$14,918,317
General unrestricted	811,108	1,559,003
Non-controlling interest	<u>2,207,604</u>	<u>1,341,170</u>
	<u>\$ 18,865,861</u>	<u>\$ 17,818,490</u>

Temporarily restricted net assets at September 30, 2011 and 2010 are available for the following purposes:

	<u>2011</u>	<u>2010</u>
USA Programs	\$ 400,604	\$ 202,480
Overseas Programs		
Headquarters	116,227	259,010
Field	12,674	18,909
Disaster Response		
Headquarters	3,231,707	3,400,183
Field	<u>1,232,337</u>	<u>241,229</u>
	<u>\$4,993,549</u>	<u>\$4,121,811</u>

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

Purposes restrictions accomplished:	
USA Programs	\$ 2,333,880
Overseas Programs	6,436,112
Disaster Response	<u>5,947,319</u>
	<u>\$ 14,717,311</u>

### (10) 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. In 2010, World Relief suspended matches on employee contributions.

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

### (11) COMMITMENTS AND CONTINGENCIES

#### COMMITMENTS

World Relief incurred approximately \$1,452,000 and \$1,485,000 of rent expense related to leases for facilities for the years ending September 30, 2011 and 2010, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2011, were as follows:

<u>Year ending September 30,</u>	<u>Amount</u>
2012	\$ 286,900
2013	218,900
2014	133,300
2015	60,500
2016	<u>12,700</u>
	<u>\$ 712,300</u>

### (12) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2011 are as follows:

	<u>Global Technical Units</u>	<u>USA</u>	<u>Latin America And Caribbean</u>	<u>East And West Africa</u>	<u>Southern Africa</u>	<u>South And Southeast Asia</u>	<u>2011 Total</u>
Agriculture	\$ -	\$ -	\$ 346,712	\$ 1,046,318	\$ 154,619	\$ -	\$ 1,547,093
Anti-Trafficking	-	303,596	-	-	-	29,926	333,522
Child Development	8,658	-	-	197,130	534,982	280,326	1,021,096
Emergency Relief	509,528	-	1,992,798	3,547,729	24,047	239,240	6,313,705
HIV/AIDS	140,849	-	293,569	561,968	1,890,542	586,247	3,473,175
Local Partner Strengthening	-	95,679	98,699	844,985	395,856	230,104	1,664,960
Maternal And Child Health	131,607	-	31,001	1,676,332	268,865	114,957	2,222,762
Micro Economic Development	136,697	40,915	20,000	1,830,437	-	8,069,886	10,097,935
Refugee Resettlement	3,157	20,745,342	-	1,248,152	-	-	21,996,651
Service To Immigrants	-	<u>4,392,491</u>	-	-	-	-	<u>4,393,047</u>
2011 Totals	<u>\$ 930,496</u>	<u>\$ 25,578,023</u>	<u>\$ 2,782,779</u>	<u>\$ 10,953,051</u>	<u>\$ 3,268,911</u>	<u>\$ 9,550,686</u>	<u>\$ 53,063,946</u>
2010 Totals	<u>\$ 1,059,474</u>	<u>\$ 24,443,107</u>	<u>\$ 2,683,128</u>	<u>\$ 12,240,141</u>	<u>\$ 3,050,849</u>	<u>\$ 8,694,867</u>	<u>\$ 52,171,566</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

**September 30, 2011 and 2010**

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### (13) SUPPORT AND REVENUE BY TYPE

Support and revenue by type for the years ending September 30, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</u>
Private contributions – Unrestricted	\$ 4,469,449	\$ 4,255,993
Private restricted (International – except Emergency)	4,765,150	2,875,275
Private restricted (Emergency Relief)	1,945,753	8,211,976
Private restricted (U.S.)	<u>1,127,495</u>	<u>986,950</u>
<b>Subtotal Private Contributions</b>	<u>12,307,847</u>	<u>16,330,194</u>
Government grants (Federal to U.S. – direct receipt)	18,598,036	17,332,077
Government grants (Federal to International – direct receipt)	4,230,538	6,349,601
Government grants (Federal to U.S. – sub award)	4,177,970	4,289,401
Government grants (Federal to International – sub award)	<u>2,272,923</u>	<u>1,715,537</u>
<b>Subtotal Government Grants</b>	<u>29,279,467</u>	<u>29,686,616</u>
Other grants/contracts (U.S. to U.S.)	1,978,754	3,380,612
Other grants/contracts (International to International)	<u>6,874,866</u>	<u>5,622,098</u>
<b>Subtotal Other Grants/Contracts</b>	<u>8,853,620</u>	<u>9,002,710</u>
Fees for services (U.S.)	2,295,438	1,991,782
MED investment income (International)	<u>11,387,939</u>	<u>8,666,199</u>
<b>Subtotal Fees for Services</b>	<u>13,683,377</u>	<u>10,657,981</u>
Gift in kind (U.S.)	381,904	435,358
Gift in kind (Emergency Relief)	298,947	237,909
Miscellaneous income	341,073	108,657
Investments and gains/losses	<u>90,653</u>	<u>(8,653)</u>
<b>Subtotal Other Income</b>	<u>1,112,577</u>	<u>773,271</u>
<b>Total Support and Revenue</b>	<u>\$ 65,236,888</u>	<u>\$ 66,450,772</u>

# WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

## NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2011 and 2010

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### (14) RESTATEMENT

In January 2010, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2010-07 which amended ASC-958, “*Not-for-Profit Entities – Consolidation*”. The update amended accounting and reporting requirements for an organization’s non-controlling interest in subsidiaries. ASU 2010-07 clarified that a non-controlling interest in a subsidiary is an ownership interest in the consolidated entity which should be reported as net assets in the consolidated financial statements. This update also changed the way the consolidated statement of activities is prepared. It requires consolidated net income to be reported at amounts attributable to both the controlling and non-controlling interests.

In accordance with this amendment, World Relief presents its non-controlling interest in their microenterprise entities as of September 30, 2011 and 2010 as unrestricted net assets. Also, for the years ended September 30, 2011 and 2010, World Relief’s consolidated change in net assets includes the net income of the non-controlling interest of the microenterprise entities.

The cumulative effect of restating 2009 beginning net assets due to the implementation of ASU 2010-07 was as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net assets, September 30, 2009 as previously reported	\$ 16,449,349	\$ 1,251,157	\$ 17,700,506
Recording of non-controlling interest in majority held microfinance entities	<u>1,090,373</u>	<u>-</u>	<u>1,090,373</u>
Net assets, September 30, 2009, as restated	<u>\$ 17,539,722</u>	<u>\$ 1,251,157</u>	<u>\$ 18,790,879</u>

The effect of these restatements on the 2010 financial statements was to increase the non-controlling interest of the unrestricted net assets by \$250,797.