

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

*FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS*

SEPTEMBER 30, 2010

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 statement of financial position of World Relief Corporation of National Association of Evangelicals ("World Relief") as of September 30, 2010, and the related statements of activities and changes in net assets, of cash flows and of functional expenses for the year then ended. These financial statements are the responsibility of World Relief's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from World Relief's 2009 financial statements and, in our report dated January 15, 2010, we expressed an unqualified opinion.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of World Relief Corporation of National Association of Evangelicals as of September 30, 2010, 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 20, 2011**

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

STATEMENTS OF FINANCIAL POSITION

September 30, 2010 and 2009

| ASSETS | <u>2010</u> | <u>2009</u> |
|---|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 9,667,497 | \$ 7,138,860 |
| Investments, at market (<i>Note 2</i>) | 218,846 | 386,835 |
| Other investments (<i>Note 2</i>) | 884,249 | 977,107 |
| Receivables: | | |
| Grants | 3,745,021 | 3,782,471 |
| Pledges (<i>Note 4</i>) | - | 135,000 |
| Other | 233,730 | 566,686 |
| Microenterprise and agricultural loans – net (<i>Note 5</i>) | 41,924,130 | 30,260,739 |
| Prepaid expenses and other assets | 1,202,949 | 1,086,640 |
| Agricultural assets to be transferred | 300,000 | 503,880 |
| Plant and equipment – net of accumulated depreciation (<i>Note 6</i>) | <u>3,786,187</u> | <u>3,526,535</u> |
| Total assets | <u>\$61,962,609</u> | <u>\$48,364,753</u> |
| LIABILITIES AND NET ASSETS | | |
| Accounts payable and accrued liabilities | \$ 4,311,938 | \$ 4,157,984 |
| Deferred revenue | 124,983 | 300,175 |
| Other liabilities | 3,217,287 | 2,402,937 |
| Agricultural assets to be transferred | 300,000 | 503,880 |
| Long-term debt (<i>Note 7</i>): | | |
| General | 3,252,779 | 3,460,395 |
| Microenterprise/Agricultural development | <u>30,156,491</u> | <u>19,838,876</u> |
| Total liabilities | <u>41,363,478</u> | <u>30,664,247</u> |
| Net Assets | | |
| Unrestricted | | |
| Common stock, \$100 par value; 500 shares authorized; 10 shares issued and outstanding | 1,000 | 1,000 |
| Net assets | <u>16,476,320</u> | <u>16,448,349</u> |
| Total unrestricted net assets | 16,477,320 | 16,449,349 |
| Temporarily restricted net assets (<i>Note 8</i>) | <u>4,121,811</u> | <u>1,251,157</u> |
| Total net assets | <u>20,599,131</u> | <u>17,700,506</u> |
| | <u>\$61,962,609</u> | <u>\$48,364,753</u> |

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended September 30, 2010 with comparative totals for 2009

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>2010 Total</u> | <u>2009 Total</u> |
|--|---------------------|-----------------------------------|-----------------------|-----------------------|
| Support and Revenue | | | | |
| Contributions and non U.S. federal, state, and local government grants | \$ 3,276,449 | \$ 19,029,234 | \$22,305,683 | \$21,075,577 |
| U.S. federal, state, and local government grants | 32,713,834 | - | 32,713,834 | 29,087,959 |
| Other revenue | 12,890,134 | - | 12,890,134 | 11,216,612 |
| Net assets released from restrictions (<i>Note 8</i>) | <u>16,158,580</u> | <u>(16,158,580)</u> | <u>-</u> | <u>-</u> |
| Total support and revenue (<i>Note 12</i>) | <u>65,038,997</u> | <u>2,870,654</u> | <u>67,909,651</u> | <u>61,380,148</u> |
| Expenses | | | | |
| Program Ministries | | | | |
| USA Programs | 24,443,107 | - | 24,443,107 | 20,663,340 |
| Overseas Programs | 21,083,319 | - | 21,083,319 | 23,441,266 |
| Disaster Response | <u>8,803,057</u> | <u>-</u> | <u>8,803,057</u> | <u>6,022,914</u> |
| Total program ministries | <u>54,329,483</u> | <u>-</u> | <u>54,329,483</u> | <u>50,127,520</u> |
| Support Ministries | | | | |
| General and administrative | 6,371,473 | - | 6,371,473 | 6,557,500 |
| Fundraising | <u>4,010,070</u> | <u>-</u> | <u>4,010,070</u> | <u>4,061,538</u> |
| Total support ministries | <u>10,381,543</u> | <u>-</u> | <u>10,381,543</u> | <u>10,619,038</u> |
| Total expenses | <u>64,711,026</u> | <u>-</u> | <u>64,711,026</u> | <u>60,746,558</u> |
| Excess (deficit) of revenue over expenses | 327,971 | 2,870,654 | 3,198,625 | 633,590 |
| Other changes | | | | |
| Transfer of microenterprise assets and related income and expense (<i>Note 5</i>) | <u>(300,000)</u> | <u>-</u> | <u>(300,000)</u> | <u>-</u> |
| Change in net assets | 27,971 | 2,870,654 | 2,898,625 | 633,590 |
| Net Assets | | | | |
| Beginning of year | <u>16,449,349</u> | <u>1,251,157</u> | <u>17,700,506</u> | <u>17,066,916</u> |
| End of year | <u>\$16,477,320</u> | <u>\$ 4,121,811</u> | <u>\$20,599,131</u> | <u>\$17,700,506</u> |

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

STATEMENTS OF CASH FLOWS

Year ended September 30, 2010 with comparative totals for 2009

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| <i>Changes in net assets</i> | \$ 2,898,625 | \$ 633,590 |
| <i>Adjustments to reconcile changes in net assets to net cash from operating activities</i> | | |
| Depreciation and amortization | 594,281 | 529,023 |
| (Gain) loss on disposal of fixed assets | (65,447) | (12,399) |
| Net realized and unrealized gain on investments | 1,042 | (3,949) |
| Equity in (gain) loss on investment in microfinance institution | 92,858 | (8,150) |
| (Increase) decrease in | | |
| Receivables | 505,406 | 851,841 |
| Prepaid expenses and other assets | (116,309) | (221,165) |
| Increase (decrease) in | | |
| Accounts payable and accrued liabilities | 153,954 | 272,419 |
| Deferred revenue | <u>(175,192)</u> | <u>10,522</u> |
| Net cash provided by operating activities | <u>3,889,218</u> | <u>2,051,732</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase and sale of investments, net | 166,947 | 174,519 |
| Investment in microenterprise entity | | - |
| Capital expenditures, net | (788,486) | (607,514) |
| Net change in microenterprise and agricultural activities: | | |
| Loans | (11,663,391) | (2,483,645) |
| Other liabilities | <u>814,350</u> | <u>(55,758)</u> |
| Net cash used for investing activities | <u>(11,470,580)</u> | <u>(2,972,398)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from lines of credit and notes payable | 16,363,349 | 8,480,279 |
| Repayments of lines of credit and notes payable | <u>(6,253,350)</u> | <u>(7,009,693)</u> |
| Net cash provided by financing activities | <u>10,109,999</u> | <u>1,470,586</u> |
| Net increase in cash and cash equivalents | 2,528,637 | 549,920 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH | | |
| Beginning | <u>7,138,860</u> | <u>6,588,940</u> |
| Ending | <u>\$ 9,667,497</u> | <u>\$ 7,138,860</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | <u>\$ 2,387,481</u> | <u>\$ 2,081,658</u> |

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

STATEMENT OF FUNCTIONAL EXPENSES

Year ended September 30, 2010 with comparative totals for 2009

| | Program Ministries | | | | | Supporting Ministries | | | | Total Expenses | |
|------------------------------------|---------------------|---------------------|--------------------|---------------------|------------------------|----------------------------|--------------------|---------------------|------------------------|---------------------|------------------------|
| | USA Programs | Overseas Programs | Disaster Response | 2010 Total | 2009 Comparative Total | General And Administrative | Fundraising | 2010 Total | 2009 Comparative Total | 2010 Total | 2009 Comparative Total |
| Salaries and Related Expenses | \$ 8,786,012 | \$ 7,552,662 | \$1,833,291 | \$18,171,965 | \$ 18,295,014 | \$3,235,915 | \$ 1,874,129 | \$ 5,110,044 | \$ 4,946,619 | \$23,282,009 | \$ 23,241,633 |
| Personnel Benefits | 2,151,367 | 1,118,906 | 363,851 | 3,634,124 | 3,194,249 | 539,531 | 327,699 | 867,230 | 843,817 | 4,501,354 | 4,038,066 |
| Travel | 519,238 | 866,487 | 323,630 | 1,709,355 | 1,918,586 | 320,349 | 221,174 | 541,523 | 635,839 | 2,250,878 | 2,554,425 |
| Board Expenses | - | - | - | - | - | 20,728 | - | 20,728 | 24,840 | 20,728 | 24,840 |
| Communications and Printing | 278,357 | 320,191 | 124,979 | 723,527 | 746,770 | 131,121 | 831,491 | 962,612 | 788,299 | 1,686,139 | 1,535,069 |
| Office Expenses | 412,627 | 496,359 | 108,140 | 1,017,126 | 890,234 | 71,829 | 286,177 | 358,006 | 215,160 | 1,375,132 | 1,105,394 |
| Equipment Costs | 153,491 | 1,299,067 | 476,495 | 1,929,053 | 2,076,474 | 28,981 | 1,549 | 30,530 | 63,400 | 1,959,583 | 2,139,874 |
| Personnel Expenses | 149,518 | 692,074 | 120,016 | 961,608 | 1,053,551 | 171,601 | 31,925 | 203,526 | 154,629 | 1,165,134 | 1,208,180 |
| Consulting and Professional Fees | 349,748 | 431,125 | 87,846 | 868,719 | 770,972 | 416,904 | 250,553 | 667,457 | 681,323 | 1,536,176 | 1,452,295 |
| Computer Expense | 78,736 | 35,194 | 27,223 | 141,153 | 119,804 | 37,874 | 29,359 | 67,233 | 77,458 | 208,386 | 197,262 |
| Books and Subscriptions | 11,520 | 4,302 | 1,182 | 17,004 | 22,701 | 7,614 | 1,516 | 9,130 | 6,005 | 26,134 | 28,706 |
| Property and Liability Insurance | 2,693 | 1,984 | 518 | 5,195 | 300 | 248,665 | - | 248,665 | 289,730 | 253,860 | 290,030 |
| Interest Expense | 11,039 | 2,056,033 | - | 2,067,072 | 1,693,887 | 420,702 | 7,924 | 428,626 | 623,953 | 2,495,698 | 2,317,840 |
| Foreign Exchange | - | 591,292 | (62,719) | 528,573 | 173,530 | 15 | - | 15 | (78) | 528,588 | 173,452 |
| Depreciation and Amortization | - | 430,511 | 23,943 | 454,454 | 399,562 | 139,811 | - | 139,811 | 129,459 | 594,265 | 529,021 |
| Bad Debt Expense | 83,296 | 308,400 | 57 | 391,753 | 678,093 | 10,371 | - | 10,371 | 77 | 402,124 | 678,170 |
| Occupancy Costs | 734,557 | 842,610 | 225,555 | 1,802,722 | 1,533,557 | 343,978 | 10,857 | 354,835 | 532,573 | 2,157,557 | 2,066,130 |
| Other Expenses | 83,563 | 604,587 | 88,209 | 776,359 | 430,303 | 225,413 | 71,348 | 296,761 | 597,489 | 1,073,120 | 1,027,792 |
| Microfinance related | - | 342,094 | - | 342,094 | 220,301 | - | - | - | - | 342,094 | 220,301 |
| Initial Refugee Grants | 4,177,271 | - | 500 | 4,177,771 | 2,686,885 | - | - | - | - | 4,177,771 | 2,686,885 |
| Other Grants & Specific Assistance | 6,062,677 | 196,148 | 999,748 | 7,258,573 | 6,807,739 | 71 | 59,808 | 59,879 | 8,446 | 7,318,452 | 6,816,185 |
| Other Program Costs | 39 | 2,892,231 | 3,823,761 | 6,716,031 | 5,971,098 | - | 4,561 | 4,561 | - | 6,720,592 | 5,961,929 |
| Gifts-in-kind | 397,358 | 1,062 | 236,832 | 635,252 | 443,910 | - | - | - | - | 635,252 | 453,079 |
| Total Expenses | \$24,443,107 | \$21,083,319 | \$8,803,057 | \$54,329,483 | \$ 50,127,520 | \$6,371,473 | \$4,010,070 | \$10,381,543 | \$10,619,038 | \$64,711,026 | \$ 60,746,558 |

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS

September 30, 2010 and 2009

(1) SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

World Relief Corporation of National Association of Evangelicals 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 Corporation of National Association of Evangelicals is a 100% shareholder in two microenterprise entities in Kosovo (BZMF) and Democratic Republic of Congo (Hekima), and is a 88% and 82% 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 Corporation of National Association of Evangelicals and the four microenterprise entities ("**World Relief**"). For the microenterprise entities for which World Relief owns less than 100%, minority interest is recorded and included in other liabilities. 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 20, 2011, 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 \$15,800,000 and \$16,600,000, including \$12,500,000 and \$11,600,000 relating to the majority-owned microenterprise entities, for the years ended September 30, 2010 and 2009, 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, 2010 and 2009

FOREIGN CURRENCY TRANSLATION

World Relief has foreign branch offices in many countries. Assets and liabilities for these foreign branch offices and the majority-owned microenterprise entities are translated at the rates of exchange at the balance sheet date while income statement accounts are translated at the average exchange rates in effect during the period. The effect of such translation adjustments for the years ending September 30, 2010 and 2009 was a decrease to net assets by \$528,588 and \$173,452, 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.

Management has reviewed the tax positions for each of the open tax years (2007 – 2009) or expected to be taken in World Relief’s 2010 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.

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 CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010 and 2009

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 \$635,252 in 2010 and \$453,079 in 2009. 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. In fiscal years 2010 and 2009, more than 32,000 people volunteered with World Relief. 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.

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010 and 2009

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, 2009, 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.

(2) INVESTMENTS

At September 30, 2010 and 2009, investments consisted of the following:

MARKETABLE SECURITIES

| | <u>2010</u> | | <u>2009</u> | |
|-------------------------|------------------|------------------|------------------|------------------|
| | <u>Cost</u> | <u>Market</u> | <u>Cost</u> | <u>Market</u> |
| Mutual Funds | \$118,624 | \$110,701 | \$114,433 | \$105,593 |
| Certificates of Deposit | <u>108,145</u> | <u>108,145</u> | <u>281,242</u> | <u>281,242</u> |
| | <u>\$226,769</u> | <u>\$218,846</u> | <u>\$395,675</u> | <u>\$386,835</u> |

At September 30, 2010 and 2009, investments had unrealized losses of \$7,924 and \$8,840, respectively.

OTHER INVESTMENTS

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. At September 30, 2010 and 2009, World Relief has an investment of 20.50% and 24.56%, respectively, in UOB, which is carried at equity in the amount of \$884,249 and \$977,107, respectively.

INVESTMENT RETURN

The following summarizes the investment return for the year ended September 30, 2010 and 2009:

| | <u>2010</u> | <u>2009</u> |
|----------------------------|-----------------|-----------------|
| Net investment income | \$21,222 | \$62,379 |
| Net realized gain (loss) | (2,310) | 57 |
| Net unrealized gain (loss) | <u>1,268</u> | <u>3,892</u> |
| | <u>\$20,180</u> | <u>\$66,328</u> |

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010 and 2009

(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 – quoted prices in active markets for identical securities.

Level 2 – other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – significant unobservable inputs (including World Relief’s own assumptions in determining the fair value of investments).

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, 2010 are as follows:

| | 2010 | | | |
|-------------------------------|---------------------|---|---|---|
| | <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 | \$ 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> |

| | 2009 | | | |
|-------------------------------|---------------------|---|---|---|
| | <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 | \$ 105,593 | \$ 105,593 | \$ - | \$ - |
| Certificate of Deposit | <u>281,242</u> | <u>281,242</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 386,835</u> | <u>\$ 386,835</u> | <u>\$ -</u> | <u>\$ -</u> |
| Interest Rate Swap-Obligation | <u>\$(206,343)</u> | <u>\$ -</u> | <u>\$(206,343)</u> | <u>\$ -</u> |

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010 and 2009

(4) PROMISES TO GIVE

Unconditional promises to give are included in the financial statements as pledges receivable. Unconditional promises to give at September 30, 2009 were \$135,000. This amount was received in 2010. There were no pledges receivable outstanding at September 30, 2010.

(5) MICROENTERPRISE LOANS AND AGRICULTURAL LOANS RECEIVABLE

World Relief operates microenterprise development activities that are separately incorporated in Limited Liability Corporations which are majority-owned by World Relief in Burundi (“Turame”), Kosovo (“BZMF”), the Democratic Republic of Congo (“Hekima”), and Cambodia (“CREDIT”) 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.

Microfinance loans receivable and agricultural loans receivable, net at September 30, 2010 and 2009 consist of the following:

| | <u>2010</u> | <u>2009</u> |
|--|---------------------|---------------------|
| Microenterprise loans (net of allowance of \$744,857 in 2010 and \$812,701 in 2009) | \$39,875,935 | \$27,909,604 |
| Loans to local Nicaraguan agricultural loan partner (net of allowance of \$144,970 in 2010 and \$142,606 in 2009) | <u>2,048,195</u> | <u>2,351,135</u> |
| | <u>\$41,924,130</u> | <u>\$30,260,739</u> |

Microenterprise loan balances in each location are as follows:

| | <u>2010</u> | <u>2009</u> |
|---------------|---------------------|---------------------|
| CREDIT | \$29,569,573 | \$19,726,986 |
| BZMF | 7,319,540 | 6,117,871 |
| Turame | 1,858,058 | 1,284,786 |
| Hekima | 1,128,324 | 776,815 |
| United States | <u>440</u> | <u>3,146</u> |
| | <u>\$39,875,935</u> | <u>\$27,909,604</u> |

The growth in the loan portfolio and in the long-term debt (See Note 7) of CREDIT was part of approved business plans. Both the CREDIT’s Board of Directors and World Relief’s management approved the business plan which included this plan for growth of both loans receivable and long-term debt. World Relief’s management carefully monitors the financial condition and activities of all of the Microenterprise Development activities including the rate of growth of each entity.

At September 30, 2010 and 2009, agricultural loans in the amount of \$300,000 and \$503,880, respectively, 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 \$1,653,310 and \$1,141,602, as of September 30, 2010 and 2009, 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, 2010 and 2009

(6) PLANT AND EQUIPMENT

The cost of property and equipment is as follows:

| | <u>2010</u> | <u>2009</u> |
|---------------------------------------|--------------------|--------------------|
| Land | \$ 10,000 | \$ 10,000 |
| Buildings | 2,028,689 | 1,990,689 |
| Construction-in-progress | 11,397 | - |
| Computers, office and other equipment | 4,493,759 | 4,155,334 |
| Vehicles | <u>2,850,096</u> | <u>2,588,081</u> |
| | 9,393,941 | 8,744,104 |
| Less: accumulated depreciation | <u>5,607,754</u> | <u>5,217,569</u> |
| Net value | <u>\$3,786,187</u> | <u>\$3,526,535</u> |

(7) DEBT

A summary of long-term debt is as follows:

| | <u>2010</u> | <u>2009</u> |
|---|------------------|------------------|
| <u>General</u> | | |
| \$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 is secured by substantially all assets of World Relief and subject to minimum unrestricted net asset balances and change in net assets. ^(a) | \$ 2,274,889 | \$ 2,332,498 |
| \$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 is secured by substantially all assets of World Relief and subject to the same asset requirements as noted under the \$2,400,000 loan above. | 520,560 | 606,988 |
| 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. | 46,109 | 78,892 |
| Note payable with a bank in monthly installments of \$2,100 with an interest rate of 7.25%. All principal and accrued interest is due and payable on August 31, 2011. The note is subject to certain financial covenants and is secured by a mortgage on land and a building in Atlanta, Georgia. | 145,829 | 153,850 |
| Other notes payable | <u>265,392</u> | <u>288,167</u> |
| Total General Debt | <u>3,252,779</u> | <u>3,460,395</u> |

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

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| <u>Microenterprise/Agricultural Development</u> | | |
| \$2,000,000 loan payable from an individual bearing interest at a rate of 9% 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>). | 1,840,000 | 2,000,000 |
| Loan payable with a private foundation which matured in January 2010. | - | 100,000 |
| Loans payable with an original sum of \$4,700,000 with an institutional MFI creditor with interest rates ranging from 9.25% to 10.76% payable in semi-annual and annual installments ranging from \$350,000 to \$900,000 commencing December 31, 2009 and terminating on June 26, 2012. | 4,200,000 | 3,700,000 |
| \$3,188,415 of loans payable with an institutional MFI creditor carrying interest rates ranging from 8.5% to 13.95% payable in semi-annual installments ranging from \$135,666 to \$166,667 which commenced July 12, 2009 and terminating March 1, 2013. | 2,644,515 | 1,904,762 |
| Loans payable with an original sum of \$5,200,000 with an institutional MFI creditor carrying interest rates between 8.72% and 9.17% payable in semi-annual and annual installments ranging from \$200,000 to \$500,000 which commenced June 10, 2009 and terminating on September 25, 2012. | 4,600,000 | 2,450,000 |
| \$3,680,475 loan payable to an institutional MFI creditor which was disbursed in four tranches. Interest ranges from 9% to 9.5% with repayment commencing on March 18, 2010 and terminating January 15, 2012. Each tranche is payable in full on dates during the repayment period. | 2,650,130 | 2,978,925 |
| \$1,758,285 of loans payable to an institutional MFI creditor carrying an interest rate of six month London Interbank Offering Rate (“LIBOR”) plus 450 basis points. The interest rate will adjust based on the LIBOR rate each January 1 st and June 30 th during the period the loan is outstanding. Principal payments of varying amounts commenced December 12, 2008 and are payable semi-annually through November 20, 2013. | 1,148,766 | 1,217,078 |
| Loans payable with an institutional MFI creditor in the amount of \$1,652,801 carrying interest rates of 5% per annum payable in one installment upon termination commencing April 25, 2010 and terminating October 25, 2010 | 1,652,801 | - |

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010 and 2009

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Loan payable to an institutional MFI creditor in the amount of \$1,200,000 carrying an interest rate of 9% payable in two installments of \$600,000 twelve and eighteen months following disbursement commencing on February 21, 2010 and terminating on August 23, 2011. | 1,200,000 | - |
| Loans payable with an institutional MFI creditor in the amount of \$2,254,609 carrying interest rates ranging from 10.17% to 15.11% per annum payable in one installment upon termination commencing June 30, 2010 and terminating July 15, 2013. | 2,254,609 | - |
| Loans payable with an institutional MFI creditor in the amount of \$2,360,950 carrying interest rates ranging from 9% to 10.76% per annum payable in semi-annual and annual commencing September 22, 2010 and terminating November 15, 2011. | 2,360,950 | - |
| Loan payable with an institutional MFI creditor in the amount of \$1,500,000 carrying an interest rate of 8.65% payable in three semi-annual installments of \$500,000 starting twelve months following the disbursement date commencing on June 30, 2010 and terminating on June 30, 2012. | 1,500,000 | - |
| Various other loans payable with maturities through 2014 and interest rates ranging from 0% - 11.63%. | <u>4,104,720</u> | <u>5,488,111</u> |
| Total microenterprise/agricultural debt | <u>30,156,491</u> | <u>19,838,876</u> |
| Total debt | <u>\$33,409,270</u> | <u>\$23,299,271</u> |

Microenterprise/Agricultural development loans by location are as follows:

| | <u>2010</u> | <u>2009</u> |
|------------|---------------------|---------------------|
| CREDIT | \$23,957,540 | \$16,093,660 |
| Kosovo | 4,002,240 | 1,513,484 |
| Turame | 55,300 | - |
| Hekima | 301,411 | 131,732 |
| Nicaragua | <u>1,840,000</u> | <u>2,100,000</u> |
| Total debt | <u>\$30,156,491</u> | <u>\$19,838,876</u> |

^(a) On June 10, 2008, World Relief entered into an interest rate swap agreement, which matures in June 2013, on the \$2,400,000 term loan. The agreement provides for World Relief to swap their variable rate of interest to a fixed interest rate of 7.42%. At September 30, 2010 and 2009, the fair value of the swap instrument was \$235,123 and \$206,343 in favor of the bank 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, 2010 and 2009

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

| | <u>General</u> | <u>Microenterprise/ Agricultural Development</u> | <u>Total</u> |
|---------------------|--------------------|--|---------------------|
| 2011 | \$ 357,909 | \$18,461,816 | \$18,819,725 |
| 2012 | 198,624 | 8,232,818 | 8,431,442 |
| 2013 | 2,272,855 | 1,812,966 | 4,085,821 |
| 2014 | 139,583 | 1,648,891 | 1,788,474 |
| 2015 | 129,150 | - | 129,150 |
| 2016 and thereafter | <u>154,658</u> | <u>-</u> | <u>154,658</u> |
| | <u>\$3,252,779</u> | <u>\$30,156,491</u> | <u>\$33,409,270</u> |

Interest expense for the years ended September 30, 2010 and 2009 was \$2,495,698 and \$2,317,840, respectively.

(8) NET ASSETS

Unrestricted net assets at September 30, 2010 and 2009 consist of the following:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Microenterprise/agricultural development activities | \$12,592,898 | \$11,972,903 |
| General unrestricted | <u>3,884,422</u> | <u>4,476,446</u> |
| | <u>\$16,477,320</u> | <u>\$16,449,349</u> |

Temporarily restricted net assets at September 30, 2010 and 2009 are available for the following purposes:

| | <u>2010</u> | <u>2009</u> |
|-------------------------------|--------------------|--------------------|
| USA Programs | \$ 202,480 | \$ 31,195 |
| Overseas Programs | | |
| Headquarters | 259,010 | 255,880 |
| Field | 18,909 | 616,832 |
| Disaster Response | 3,641,412 | 147,256 |
| General and Administrative | - | 64,994 |
| Time Restricted Contributions | <u>-</u> | <u>135,000</u> |
| | <u>\$4,121,811</u> | <u>\$1,251,157</u> |

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

| | |
|-------------------------------------|---------------------|
| Purposes restrictions accomplished: | |
| USA Programs | \$ 2,024,755 |
| Overseas Programs | 6,233,670 |
| Disaster Response | 7,420,528 |
| General and Administrative | 344,627 |
| Time Restricted Contributions | <u>135,000</u> |
| | <u>\$16,158,580</u> |

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010 and 2009

(9) 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 2009, World Relief matched employee deferrals up to 3 percent. In 2010, World Relief suspended matches on employee contributions. Total expense charged for contributions to the plan related to the employer match portion was approximately \$107,000 for the year ended September 30, 2009.

(10) COMMITMENTS AND CONTINGENCIES

LITIGATION

In connection with World Relief's decision not to exercise its option to purchase the adjacent building in which it had been renting, the owner of the building filed suit against World Relief, and two others for damages relating to World Relief's headquarters building encroaching onto the plaintiff's property. World Relief believes that there is no merit to the case and that the outcome will not have any material effect on the organization's financial position or results of operations.

COMMITMENTS

World Relief incurred approximately \$1,485,000 and \$1,330,000 of rent expense related to leases for facilities for the years ending September 30, 2010 and 2009, respectively.

Future minimum payments under leases in excess of one year as of September 30, 2010, were as follows:

| <u>Year ending September 30,</u> | <u>Amount</u> |
|----------------------------------|------------------|
| 2011 | \$148,900 |
| 2012 | 39,000 |
| 2013 | 39,000 |
| | <u>\$226,900</u> |

(11) EXPENSES BY REGION

Program expenses by Region for the year ended September 30, 2010 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>Eastern Europe</u> | <u>2010 Total</u> |
|-----------------------------|---------------------------------------|---------------------|--|---------------------------------|----------------------------|---|---------------------------|-----------------------|
| Agriculture | \$ - | \$ - | \$ 12,077 | \$ 1,464,736 | \$ 273,411 | \$ 220,018 | \$ - | \$ 1,970,242 |
| Anti-Trafficking | - | 164,987 | - | - | - | 16,502 | - | 181,489 |
| Child Development | 29,767 | - | 104,581 | 1,941,981 | 831,786 | 781,357 | - | 3,689,472 |
| Emergency Relief | 127,599 | - | 2,430,247 | 1,050,394 | 16,820 | 795,426 | - | 4,420,486 |
| HIV/AIDS | 543,624 | - | 125,077 | 1,259,277 | 859,979 | 326,089 | - | 3,114,046 |
| Local Partner Strengthening | - | 190,765 | - | 722,734 | 282,286 | 53,848 | - | 1,249,633 |
| Maternal And Child Health | 197,744 | 4,254 | 11,146 | 2,502,973 | 786,567 | 283,041 | - | 3,785,725 |
| Micro Economic Development | 160,740 | 461 | - | 1,729,035 | - | 6,401,299 | 1,907,120 | 10,198,655 |
| Refugee Resettlement | - | 20,938,741 | - | 1,637,095 | - | - | - | 22,575,836 |
| Service To Immigrants | - | 3,143,899 | - | - | - | - | - | 3,143,899 |
| | <u>\$1,059,474</u> | <u>\$24,443,107</u> | <u>\$2,683,128</u> | <u>\$12,308,225</u> | <u>\$3,050,849</u> | <u>\$8,877,580</u> | <u>\$1,907,120</u> | <u>\$54,329,483</u> |
| 2009 Totals | <u>\$1,184,591</u> | <u>\$20,658,198</u> | <u>\$1,408,228</u> | <u>\$11,646,619</u> | <u>\$5,556,351</u> | <u>\$8,566,685</u> | <u>\$1,106,848</u> | <u>\$50,127,520</u> |

WORLD RELIEF CORPORATION OF NATIONAL ASSOCIATION OF EVANGELICALS

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2010 and 2009

(12) SUPPORT AND REVENUE BY TYPE

Support and revenue by type for the years ending September 30, 2010 and 2009 are as follows:

| | <u>2010</u> | <u>2009</u> |
|---|---------------------|---------------------|
| Private Contributions – Unrestricted | \$ 4,255,993 | \$ 6,379,078 |
| Private restricted (International – except Emergency) | 2,875,275 | 3,793,907 |
| Private restricted (Disaster Response) | 8,211,976 | 2,065,904 |
| Private restricted (U.S.) | <u>986,950</u> | <u>1,092,354</u> |
| Subtotal Private Contributions | <u>16,330,194</u> | <u>13,331,243</u> |
| Government grants (Federal to U.S. – direct receipt) | 17,332,077 | 12,532,060 |
| Government grants (Federal to International – direct receipt) | 6,349,601 | 9,371,775 |
| Government grants (Federal to U.S. – sub award) | 4,289,401 | 3,518,079 |
| Government grants (Federal to International – sub award) | <u>1,715,537</u> | <u>872,789</u> |
| Subtotal Government Grants | <u>29,686,616</u> | <u>26,294,703</u> |
| Other grants/contracts (U.S. to U.S.) | 3,380,612 | 3,211,141 |
| Other grants/contracts (International to International) | <u>5,622,098</u> | <u>8,026,443</u> |
| Subtotal Other Grants/Contracts | <u>9,002,710</u> | <u>11,237,584</u> |
| Fees for services (U.S.) | 1,991,782 | 1,744,293 |
| MED Investment Income (International) | <u>10,125,078</u> | <u>7,529,323</u> |
| Subtotal Fees for Services | <u>12,116,860</u> | <u>9,273,616</u> |
| Gift in Kind (U.S.) | 435,358 | 386,548 |
| Gift in Kind (International) | - | 57,361 |
| Gift in Kind (Disaster Response) | 237,909 | 9,169 |
| Miscellaneous income | 108,657 | 447,307 |
| Investments and gains/losses | <u>(8,653)</u> | <u>342,617</u> |
| Subtotal Other Income | <u>773,271</u> | <u>1,243,002</u> |
| Total Support and Revenue | <u>\$67,909,651</u> | <u>\$61,380,148</u> |