



Consolidated Financial Statements

For the Years Ended June 30, 2018 and 2017

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Independent Auditor's Report

**To the Board of Trustees
CRISTA Ministries
World Concern Development Organization
Shoreline, Washington**

We have audited the accompanying consolidated financial statements of World Concern (a ministry of CRISTA Ministries) and World Concern Development Organization (collectively, the "Organization") which comprise the consolidated balance sheets as of June 30, 2018 and 2017, and the related consolidated statements of unrestricted activities, changes in net assets and cash flows for the years then ended, and the related notes to the consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves 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 for our audit opinion.



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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2018 and 2017, and the results of its unrestricted activities and changes in net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information on pages 19 - 23 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Clark Nuber P.S.

Certified Public Accountants
October 18, 2018

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**
Consolidated Balance Sheets
June 30, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Assets		
Current Assets:		
Cash and cash equivalents (Note 2)	\$ 3,128	\$ 4,041
Grants receivable	248	567
Receivable from CRISTA Ministries		1,555
Pledges receivable, net (Note 3)	571	101
Prepaid expenses and supplies	<u>15</u>	
Total Current Assets	3,962	6,264
Investments (Note 4)	6,608	257
Long-term pledges receivable, net (Note 3)	862	24
Property and equipment used in current ministries, net (Note 5)	119	131
Development loans receivable, net (Note 6)	3,826	3,365
Overseas assets	<u>339</u>	<u>170</u>
Total Assets	<u>\$ 15,716</u>	<u>\$ 10,211</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 2,633	\$ 2,357
Payable to CRISTA Ministries	<u>333</u>	
Total Current Liabilities	2,966	2,357
Commitments and contingencies (Note 8)		
Net Assets:		
Unrestricted-		
General	2,164	2,488
Represented by property and equipment owned by the Organization	<u>119</u>	<u>131</u>
Total unrestricted assets	2,283	2,619
Temporarily restricted-		
Term endowment	6,012	
Restricted for program activities	<u>4,455</u>	<u>5,235</u>
Total temporarily restricted assets	<u>10,467</u>	<u>5,235</u>
Total Net Assets	<u>12,750</u>	<u>7,854</u>
Total Liabilities and Net Assets	<u>\$ 15,716</u>	<u>\$ 10,211</u>

See accompanying notes.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**
Consolidated Statements of Unrestricted Activities
For the Years Ended June 30, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Revenues, Gains and Losses:		
Contributions	\$ 10,374	\$ 8,810
Contributions released from restriction	7,393	6,957
Gifts-in-kind (Note 7)	15,541	16,157
Government grants	71	622
Income on investments and loans	865	731
Foreign currency exchange losses	(86)	(69)
Miscellaneous income	80	94
	<u>34,238</u>	<u>33,302</u>
Total Revenues, Gains and Losses	34,238	33,302
Expenses:		
Program services-		
Program	11,519	10,866
Gifts-in-kind (Note 7)	15,329	15,664
	<u>26,848</u>	<u>26,530</u>
Total program services	26,848	26,530
Supporting services-		
Fundraising and promotion:		
Fundraising and promotion	6,321	4,983
Gifts-in-kind (Note 7)	212	493
Management and general	1,193	1,231
	<u>7,726</u>	<u>6,707</u>
Total supporting services	7,726	6,707
	<u>34,574</u>	<u>33,237</u>
Total Expenses	34,574	33,237
Change in Unrestricted Net Assets	\$ (336)	\$ 65

See accompanying notes.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**
Consolidated Statements of Changes in Net Assets
For the Years Ended June 30, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Unrestricted Net Assets:		
Total unrestricted revenues, gains and losses	\$ 26,845	\$ 26,345
Contributions released from restriction	7,393	6,957
Total expenses	<u>(34,574)</u>	<u>(33,237)</u>
Change in Unrestricted Net Assets	(336)	65
Temporarily Restricted Net Assets:		
Contributions	12,646	6,366
Income on investments	107	7
Net realized and unrealized (loss) gain on investments	(128)	14
Contributions released from restriction	<u>(7,393)</u>	<u>(6,957)</u>
Change in Temporarily Restricted Net Assets	5,232	(570)
Total Change in Net Assets	4,896	(505)
Net assets, beginning of year	<u>7,854</u>	<u>8,359</u>
Net Assets, End of Year	<u>\$ 12,750</u>	<u>\$ 7,854</u>

See accompanying notes.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2018 and 2017
(In Thousands)

	<u>2018</u>	<u>2017</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ 4,896	\$ (505)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities-		
Noncash activity:		
Depreciation	100	34
Net realized and unrealized loss (gain) on investments	128	(14)
Changes in operating assets and liabilities:		
Grants receivable	319	(430)
Receivable from CRISTA Ministries	1,555	615
Payable to CRISTA Ministries	245	
Pledges receivable	(1,308)	285
Prepaid expenses and supplies	(15)	18
Development loans receivable	(461)	(288)
Overseas assets	(169)	18
Accounts payable and accrued expenses	276	(24)
Net Cash Provided (Used) by Operating Activities	<u>5,566</u>	<u>(291)</u>
Cash Flows From Investing Activities:		
Purchases of investments	(10,942)	(243)
Proceeds from sale of investments	4,463	
Net Cash Used by Financing Activities	<u>(6,479)</u>	<u>(243)</u>
Net Change in Cash and Cash Equivalents	<u>(913)</u>	<u>(534)</u>
Cash and Cash Equivalents:		
Beginning of year	4,041	4,575
End of Year	<u>\$ 3,128</u>	<u>\$ 4,041</u>

See accompanying notes.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 1 - Nature of Operations and Significant Accounting Policies

Business Purpose and Organization - World Concern, a ministry of CRISTA Ministries ("CRISTA"), a not-for-profit organization, is an international disaster response and development agency working with people in need around the world. World Concern's purpose is to bring life, opportunity and hope to the poor (in body and spirit) by working with them in the developing world to transform lives, strengthen families, and build sustainability.

World Concern Development Organization ("WCDO") is the non-ecclesiastical arm of World Concern and shares common facilities and management with World Concern. WCDO is a not-for-profit organization responsible for administering government and other grants.

Principles of Consolidation - The consolidated financial statements include the accounts of World Concern and WCDO (collectively, the "Organization"). All significant inter-organization transactions have been eliminated in consolidation.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents - Cash in excess of daily requirements is invested in interest-bearing instruments with maturities of three months or less. Such investments are considered to be cash equivalents, except for those included in the Organization's investment portfolio and subject to its investment policy.

Grants Receivable - Grants receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants receivable. Grants receivable are due primarily from government agencies and are deemed by management to be fully collectible. Therefore, an allowance for doubtful accounts was not recorded at June 30, 2018 and 2017.

Pledges Receivable - Pledges receivable, unconditional promises to give, that are expected to be collected within one year are recorded at net realizable value. Management provides for probable uncollectible amounts through a charge to contribution revenue and a credit to a valuation allowance based on historical trends.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. The present value discount was approximately \$87,000 at June 30, 2018. A present value discount was deemed immaterial at June 30, 2017.

Overseas Assets - Overseas assets consist of prepaid expenses, deposits and miscellaneous receivables of the overseas offices.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 1 - Continued

Inventory - Noncash gifts of medicine, clothing, agricultural supplies, medical supplies, and other commodities are donated to World Concern for distribution to overseas development projects. Such gifts are recorded, at estimated fair value, as inventory and revenue at the time received and as a reduction of inventory and as relief and development expense when the distributing agency has received the goods. There was no inventory on hand at June 30, 2018 and 2017.

Investments - Investments consist primarily of marketable equity securities, mutual funds, and alternative strategy funds and are stated at fair value. Cash and cash equivalents held in the investment portfolio are stated at the lower of cost or net realizable value.

Property and Equipment Used in Current Ministries and Depreciation - The Organization capitalizes domestic assets with a cost greater than \$3,000 and an estimated useful life of three or more years. Purchased property is carried at cost. Donated property is recorded at fair value when received. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Buildings and improvements	5 - 50 years
Furniture and equipment	3 - 10 years
Vehicles	3 - 7 years

Overseas purchases of property and equipment are not considered significant and are included as expenses in the consolidated statements of unrestricted activities and changes in net assets in the period incurred.

Development Loans Receivable - Development loans receivable represent loans outstanding under the Micro-enterprise Loan Program (MLP) in the country of Bangladesh.

The purpose of the MLP is to assist impoverished persons to become self-reliant, successful entrepreneurs. The MLP is administered in accordance with guidelines published by World Concern and is tailored to specific conditions of the host country. The majority of these loans mature in one to two years. Based on management's intent and ability to reinvest collected amounts in the MLP in those countries, the balance has been classified as a long-term receivable.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents. Cash and cash equivalents are held with banks located in and outside of the United States. As of June 30, 2018 and 2017, 66% and 42%, respectively, of cash and cash equivalents were held in banks outside of the United States. Cash and cash equivalents may at times exceed FDIC and SIPC insurance limits.

Basis of Presentation - Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Unrestricted net assets include all net assets on which there are no donor-imposed restrictions for use, or such donor-imposed restrictions were temporary and expired or were met during the current or previous years.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 1 - Continued

Temporarily Restricted Net Assets - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization or the passage of time.

Permanently Restricted Net Assets - Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. The Organization had no permanently restricted net assets at June 30, 2018 and 2017.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled or the stipulated time period has lapsed) are reported as reclassifications between the applicable classes of net assets. Contributions where the restrictions are satisfied within the same year are reported as unrestricted revenue.

Foreign Currency Translation - The functional currency of World Concern's field offices is the local currency in which the offices are located. Assets and liabilities of the offices have been translated into U.S. dollars at year-end exchange rates. Revenues and expenses have been translated at average monthly exchange rates. Foreign currency translation losses of \$86,000 and \$69,000 were recognized for the years ended June 30, 2018 and 2017, respectively, and these amounts are included in the consolidated statements of unrestricted activities.

Revenues and Gains - Earned revenues consist of fees for services and miscellaneous income. Earned revenue is recognized in the period the service is performed. Government grant revenue is recognized in the period the related expenses are incurred. Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions also include noncash gifts, which are valued at estimated fair value at the date of gift.

Functional Allocation of Expenses - The cost of providing program, fundraising and promotion, and management and general services of the Organization has been summarized on a functional basis in the consolidated statements of unrestricted activities and the consolidated schedules of functional expenses. Accordingly, certain costs have been allocated between program services, fundraising and promotion, and management and general expenses based on usage, square footage, or direct identification.

Federal Income Taxes - The Internal Revenue Service (IRS) has determined that the operations of World Concern, as a ministry of CRISTA Ministries, and WCDO are exempt from income taxes under Section 501(c)(3) and 509(a)(1) of the Internal Revenue Code. Accordingly, no provision has been made for federal income tax in the accompanying consolidated financial statements.

Financial Statement Reclassifications - Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. Such reclassifications have no effect on the consolidated change in net assets or consolidated net asset balances as previously reported.

Subsequent Events - The Organization has evaluated subsequent events through October 18, 2018, the date on which the financial statements were available to be issued.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 2 - Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30:

	(In Thousands)	
	2018	2017
Cash	\$ 3,003	\$ 3,918
Money market funds	125	123
Total Cash and Cash Equivalents	\$ 3,128	\$ 4,041

Cash and cash equivalents include approximately \$2,052,000 and \$1,685,000 at June 30, 2018 and 2017, respectively, of funds on deposit in banks in foreign countries.

Note 3 - Pledges Receivable

Pledges receivable are due as follows as of June 30:

	(In Thousands)	
	2018	2017
Receivables due in less than one year	\$ 571	\$ 135
Receivables due in one to five years	664	45
Receivables due in more than five years	375	
	1,610	180
Less present value discount	(87)	
Less allowance for uncollectible pledges receivable	(90)	(55)
Pledges Receivable, Net	\$ 1,433	\$ 125

Pledges receivable are presented on the consolidated balance sheets as follows as of June 30:

	(In Thousands)	
	2018	2017
Current assets - pledges receivable, net	\$ 571	\$ 101
Long-term pledges receivable, net	862	24
Pledges Receivable, Net	\$ 1,433	\$ 125

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 4 - Investments and Fair Value Measurements

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are described as follows:

Level 1 - Unadjusted quoted prices available in active markets for identical assets or liabilities;

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or

Level 3 - Unobservable inputs that are significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based upon the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. These financial instruments were valued using a market approach.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2018 and 2017.

Mutual Funds and Alternative Strategy Funds - Valued at quoted market prices in active markets.

Equity Securities - Valued at the closing price reported on the active market on which the securities are traded.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 4 - Continued

Total investments and assets recorded at fair value on a recurring basis were as follows as of June 30, 2018:

	(In Thousands)			Total
	Level 1	Level 2	Level 3	
Equity mutual funds-				
U.S. large cap	\$ 576	\$ -	\$ -	\$ 576
U.S. mid cap	227			227
International	534			534
Blended	23			23
Fixed income mutual funds-				
U.S.	3,977			3,977
International	9			9
Total mutual funds	5,346			5,346
Alternative strategy funds-				
Hedge	635			635
Real estate	96			96
Commodities	193			193
Total alternative strategy funds	924			924
Equity securities	135			135
Total Investments in the Fair Value Hierarchy	\$ 6,405	\$ -	\$ -	6,405
Cash and cash equivalents				203
Total Investments				\$ 6,608

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 4 - Continued

Total investments and assets recorded at fair value on a recurring basis were as follows as of June 30, 2017:

	(In Thousands)			Total
	Level 1	Level 2	Level 3	
Equity mutual funds-				
U.S. large cap	\$ 34	\$ -	\$ -	\$ 34
U.S. mid cap	5			5
International	15			15
Blended	22			22
Fixed income mutual funds-				
U.S.	23			23
International	10			10
Total mutual funds	109			109
Equity securities	94			94
Total Investments in the Fair Value Hierarchy	\$ 203	\$ -	\$ -	203
Cash and cash equivalents				54
Total Investments				\$ 257

Note 5 - Property and Equipment Used in Current Ministries

Property and equipment consisted of the following as of June 30:

	(In Thousands)	
	2018	2017
Buildings and improvements	\$ 244	\$ 244
Less accumulated depreciation	(125)	(113)
Property and Equipment, Net	\$ 119	\$ 131

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 6 - Development Loans Receivable

The Organization makes loans under the Micro-enterprise Loan Program (MLP) to assist impoverished persons to become self-reliant, successful entrepreneurs in the country of Bangladesh. The loans are funded by temporarily restricted contributions, and amounts collected on these loans are reinvested in the MLP to fund future loans. As of June 30, 2018 and 2017, outstanding balances in the MLP represented 25% and 33% of total assets, respectively.

Development loans receivable and the allowance for doubtful accounts is as follows as of June 30:

	In Thousands	
	2018	2017
Receivables from individuals in Bangladesh	\$ 4,141	\$ 3,700
Less allowance for doubtful accounts-		
Beginning balance	(335)	(383)
Provision for loan losses	(53)	(64)
Loans written off	73	112
Ending balance	<u>(315)</u>	<u>(335)</u>
Development Loans Receivable, Net	<u>\$ 3,826</u>	<u>\$ 3,365</u>

The following amounts were past due under the MLP as of June 30:

	In Thousands	
	2018	2017
Less than two years	\$ 88	\$ 71
Two years to five years	35	65
Total Loans Past Due	<u>\$ 123</u>	<u>\$ 136</u>

The average loan size was \$360 and \$269 as of June 30, 2018 and 2017, respectively. Maturities on the loans range from two months to two years. Allowances for doubtful accounts are established based on prior collection experience, current economic factors and management's review of individual account balances. Loans under the MLP are written off only when they are deemed to be permanently uncollectible, and interest continues to accrue until the loan balances are paid in full. Assessed impairment of certain loans is included in the allowance for doubtful accounts.

The Organization is subject to certain business risks that could affect net assets. These risks include the geographic concentration in Bangladesh, a developing country, which represents 100% of the total development loans receivable at June 30, 2018 and 2017.

The Organization holds approximately \$1,800,000 in deposits against the loans from the individuals in the MLP. These are returned to the individuals when the loans are repaid, but they are also used to offset losses if the individuals default on their loans. The deposits are reflected as liabilities in the consolidated balance sheets as a part of payables held by field operations.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 7 - Gifts-in-Kind

The Organization receives contributions of clothing, health supplies, and other commodities for use in its various programs and medicines at significantly below fair value. Such gifts are recorded as inventory and revenue at the time received and as a reduction of inventory and as a program services expense when the distributing agency has received the goods. These gifts are recorded at their fair value based on product like-kind analysis and current estimated wholesale prices as available. Gifts-in-kind (GIK) are recorded in accordance with U.S. GAAP and in consideration of Accord GIK Interagency Standards.

The Organization obtains deworming medicine that is distributed to children and adults in Haiti and several countries in Africa and Asia. The Organization purchases this deworming medicine and records such purchases at cost and books any difference between cost and fair value as a contribution, where fees paid are significantly below fair values, per applicable accounting standards.

The Organization obtains market data that it believes is representative of the fair value for the deworming medicine it distributes in multiple relevant international markets. Such industry standards are subject to review and adjustment; therefore, estimates of the fair value of donated medicines may vary in the future.

The Organization only records the value of GIK for which World Concern was the original recipient of the gift, was the end use agency, was involved in partnership with another organization for distribution internationally, or used the GIK in its own programs.

A summary of GIK revenues is as follows for the years ended June 30:

	(In Thousands)	
	<u>2018</u>	<u>2017</u>
Medicines and medical supplies	\$ 15,313	\$ 15,294
Other	13	358
Advertising	212	493
Clothing	<u>3</u>	<u>12</u>
Total Gifts-in-Kind	<u>\$ 15,541</u>	<u>\$ 16,157</u>

For years ended June 30, 2018 and 2017, the Organization distributed approximately 13.9 million and 14.2 million deworming pills, respectively, to children and adults in several countries. Of the total GIK for the years ended June 30, 2018 and 2017, 96% and 95%, respectively, came from a single source.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 8 - Commitments and Contingencies

Leases - The Organization is obligated under various operating leases for office equipment through 2022. Future lease obligations for operating leases over that period total approximately \$10,000. Lease expense for both the years ended June 30, 2018 and 2017, was approximately \$3,000.

Employee Retirement Benefits - CRISTA offers a Section 403(b) savings plan to eligible employees, including employees of the Organization. Employees may contribute amounts from their salaries to the plan up to the limits specified by the IRS. The Organization may contribute 3% of the employee's earnings annually to each eligible employee's account on a discretionary basis. This discretionary contribution has been suspended for calendar year 2018. The Organization matches up to 4% additional contributions to an eligible employee's account based upon years of service to CRISTA. Employer provided funds are vested to the employee at 20% per year until fully vested after five years. Total employer contributions for the Organization's employees for the years ended June 30, 2018 and 2017, were approximately \$38,000 and \$57,000, respectively.

Contingencies - Amounts received under federal grant programs are subject to audit and adjustment by the granting agency. Any adjusted amounts, including funds already received, may constitute a liability of the Organization. Management believes adjustments required, if any, as a result of audits will not have a material effect on the Organization's financial position or results of activities.

In the normal course of business, the Organization has various claims in process, matters in litigation, and other contingencies. In management's opinion, the outcome from these matters will not materially impact the Organization's financial position or results of activities.

Note 9 - Intra-Organization Transactions

In the normal course of business, the Organization enters into transactions with CRISTA Ministries to maximize operating efficiency. Expenses related to these transactions are determined based upon actual costs related to the services provided. During the year ended June 30, 2018, CRISTA Ministries invested in expanded fundraising capabilities on behalf of the Organization. The investment resulted in higher intra-organization expenses. This investment is consistent with the strategic goals of the Organization.

The following is a summary of expenses incurred in transactions with CRISTA Ministries for the years ended June 30:

	(In Thousands)	
	2018	2017
Expenses-		
Fundraising services	\$ 6,182	\$ 4,821
Management services	711	522
Office space	107	93
Other	34	8
Total Expenses	\$ 7,034	\$ 5,444

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 9 - Continued

Contributions From CRISTA Ministries - As of June 30, 2017, contributions totaling \$1,555,000 were received at CRISTA that were designated for World Concern and thus are reflected as receivable from CRISTA Ministries on the consolidated balance sheets.

Payable to CRISTA Ministries - As of June 30, 2018, expenses totaling \$333,000 had not been paid to CRISTA Ministries and thus are reflected as a payable to CRISTA Ministries on the consolidated balance sheets.

Note 10 - Endowment

The Organization's endowment consists of one donor-restricted term endowment established for the Organization's Africa One Village Transform Expansion program (the Program) that will be spent down over future years. As required by U.S. GAAP, net assets associated with the endowment are classified and reported as temporarily restricted net assets on the consolidated balance sheets in accordance with donor restrictions.

The endowment agreement provides for annual spending from the endowment through December 31, 2026 as long as the corpus balance allows. The annual releases are based on actual expenditures, up to amounts specified in the endowment agreement.

Changes to endowment net assets are as follows for the year ended June 30, 2018:

	(In Thousands)			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets				
June 30, 2017	\$ -	\$ -	\$ -	\$ -
Endowment investment return-				
Interest and dividends		96		96
Realized and unrealized losses		(127)		(127)
Total endowment investment loss		(31)		(31)
Contributions		6,626		6,626
Distributions		(583)		(583)
Endowment Net Assets, June 30, 2018	\$ -	\$ 6,012	\$ -	\$ 6,012

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Notes to Consolidated Financial Statements
For the Years Ended June 30, 2018 and 2017**

Note 10 - Continued

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold for a donor specified period. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to seek an average annual rate of return of 7%, or total return of Consumer Price Index plus 5%, whichever is greater. Actual returns may vary significantly from this objective in any given year.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through capital appreciation, realized and unrealized gains, and current yield such as interest and dividends. The Organization targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

SUPPLEMENTARY INFORMATION

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**
Consolidated Schedule of Functional Expenses
For the Year Ended June 30, 2018
(In Thousands)

	Relief and Development Services	Fundraising and Promotion	Management and General	Total
Salaries	\$ 4,711	\$ 2,641	\$ 351	\$ 7,703
Payroll taxes	138	238	23	399
Employee benefits	538	321	52	911
Professional services	117	1,362	38	1,517
Advertising and promotion		561		561
Office expenses	317	320	24	661
Information technology	45	159		204
Occupancy	390	8	102	500
Travel	1,035	227	60	1,322
Conferences and training	194	12	21	227
Depreciation	12	88		100
Insurance	7	2	40	49
Dues and fees	44		25	69
Purchased services	300	83	443	826
Program supplies	19,000	511	14	19,525
Total Expenses	\$ 26,848	\$ 6,533	\$ 1,193	\$ 34,574

See independent auditor's report.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**
Consolidated Schedule of Functional Expenses
For the Year Ended June 30, 2017
(In Thousands)

	Relief and Development Services	Fundraising and Promotion	Management and General	Total
Salaries	\$ 4,152	\$ 2,081	\$ 283	\$ 6,516
Payroll taxes	113	172	21	306
Employee benefits	520	288	30	838
Professional services	63	1,204	32	1,299
Advertising and promotion	1	418		419
Office expenses	283	291	47	621
Information technology	51	181	1	233
Occupancy	426	9	91	526
Travel	998	148	46	1,192
Conferences and training	282	11	32	325
Depreciation	12	22		34
Insurance	6	1	25	32
Dues and fees	43	2	24	69
Purchased services	(84)	102	586	604
Program supplies	19,664	546	13	20,223
Total Expenses	\$ 26,530	\$ 5,476	\$ 1,231	\$ 33,237

See independent auditor's report.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**
Consolidating Balance Sheet
June 30, 2018
(In Thousands)

	World Concern	World Concern Development Organization	Consolidation/ Eliminations	Total
Assets				
Current Assets:				
Cash and cash equivalents	\$ 3,081	\$ 47	\$ -	\$ 3,128
Grants receivable	248			248
Receivable from World Concern		964	(964)	
Pledges receivable, net	571			571
Prepaid expenses and supplies	15			15
Total Current Assets	3,915	1,011	(964)	3,962
Investments	6,608			6,608
Long-term pledges receivable, net	862			862
Property and equipment used in current ministries, net	119			119
Development loans receivable, net	3,826			3,826
Overseas assets	339			339
Total Assets	\$ 15,669	\$ 1,011	\$ (964)	\$ 15,716
Liabilities and Net Assets				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 2,633	\$ -	\$ -	\$ 2,633
Payable to CRISTA Ministries	333			333
Payable to World Concern Development Organization	964		(964)	
Total Current Liabilities	3,930		(964)	2,966
Net Assets:				
Unrestricted- General	1,168	996		2,164
Represented by property and equipment owned by the Organization	119			119
Total unrestricted assets	1,287	996		2,283
Temporarily restricted- Term endowment	6,012			6,012
Restricted for program activities	4,440	15		4,455
Total temporarily restricted assets	10,452	15		10,467
Total Net Assets	11,739	1,011		12,750
Total Liabilities and Net Assets	\$ 15,669	\$ 1,011	\$ (964)	\$ 15,716

See independent auditor's report.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**
Consolidating Schedule of Activities
For the Year Ended June 30, 2018
(In Thousands)

	World Concern	World Concern Development Organization	Total
Revenues, Gains and Losses:			
Contributions	\$ 9,784	\$ 590	\$ 10,374
Contributions released from restrictions	7,326	67	7,393
Gifts-in-kind	15,541		15,541
Government grants		71	71
Income on investments and loans	865		865
Foreign currency exchange losses	(86)		(86)
Miscellaneous income	80		80
Total Revenues, Gains and Losses	33,510	728	34,238
Expenses:			
Program services-			
Program	11,448	71	11,519
Gifts-in-kind	15,329		15,329
Total program services	26,777	71	26,848
Supporting services-			
Fundraising and promotion:			
Fundraising and promotion	6,321		6,321
Gifts-in-kind	212		212
Management and general	1,057	136	1,193
Total supporting services	7,590	136	7,726
Total Expenses	34,367	207	34,574
Change in Unrestricted Net Assets	(857)	521	(336)
Temporarily Restricted Net Assets:			
Contributions	12,634	12	12,646
Income on investments	107		107
Net realized and unrealized gains on investments	(128)		(128)
Contributions released from restrictions	(7,326)	(67)	(7,393)
Change in Temporarily Restricted Net Assets	5,287	(55)	5,232
Total Change in Net Assets	4,430	466	4,896
Net assets, beginning of year	7,309	545	7,854
Net Assets, End of Year	\$ 11,739	\$ 1,011	\$ 12,750

See independent auditor's report.

WORLD CONCERN DEVELOPMENT ORGANIZATION

**Schedule of Functional Expenses
For the Year Ended June 30, 2018
(In Thousands)**

	Relief and Development Services	Management and General	Total
Salaries	\$ 30	\$ 71	\$ 101
Employee benefits	3		3
Professional services		5	5
Office expenses	1	12	13
Occupancy	1	13	14
Travel	10	6	16
Conferences and training		4	4
Insurance		2	2
Dues and fees		21	21
Purchased services		2	2
Program supplies	26		26
Total Expenses	\$ 71	\$ 136	\$ 207

See independent auditor's report.