



Consolidated Financial Statements

For the Years Ended June 30, 2019 and 2018

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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, 2019 and 2018, and the related consolidated statements of changes in net assets without donor restrictions, changes in net assets, functional expenses, 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.



T: 425-454-4919  
T: 800-504-8747  
F: 425-454-4620

10900 NE 4th St  
Suite 1400  
Bellevue WA  
98004

[clarknuber.com](http://clarknuber.com)

## **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, 2019 and 2018, and the results of its 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.

## **Effect of Adopting New Accounting Standard**

As discussed in Note 1, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

## **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 23 - 25 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 17, 2019

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)  
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**  
**Consolidated Balance Sheets**  
**June 30, 2019 and 2018**  
**(In Thousands)**

	<u>2019</u>	<u>2018</u>
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents (Note 2)	\$ 3,166	\$ 3,128
Grants receivable	408	248
Pledges receivable, net (Note 3)	500	571
Prepaid expenses and supplies		15
<b>Total Current Assets</b>	<b>4,074</b>	<b>3,962</b>
Investments (Note 4)	6,062	6,608
Long-term pledges receivable, net (Note 3)	741	862
Property and equipment used in current ministries, net (Note 5)	107	119
Development loans receivable, net (Note 6)	3,950	3,826
Overseas assets	140	339
<b>Total Assets</b>	<b>\$ 15,074</b>	<b>\$ 15,716</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,864	\$ 2,633
Payable to CRISTA Ministries	333	333
<b>Total Current Liabilities</b>	<b>3,197</b>	<b>2,966</b>
Commitments and contingencies (Note 8)		
<b>Net Assets:</b>		
Without donor restrictions-		
General	1,934	2,164
Represented by property and equipment owned by the Organization	107	119
Total net assets without donor restrictions	2,041	2,283
With donor restrictions-		
Term endowment	5,417	6,012
Restricted for program activities	4,419	4,455
Total net assets with donor restrictions	9,836	10,467
<b>Total Net Assets</b>	<b>11,877</b>	<b>12,750</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 15,074</b>	<b>\$ 15,716</b>

See accompanying notes.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)  
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**  
**Consolidated Statements of Changes in Net Assets Without Donor Restrictions**  
**For the Years Ended June 30, 2019 and 2018**  
**(In Thousands)**

	<u>2019</u>	<u>2018</u>
<b>Operating Revenues, Gains and Losses:</b>		
Contributions	\$ 8,675	\$ 10,374
Contributions released from restriction	6,733	7,393
Gifts-in-kind (Note 7)	14,382	15,541
Government grants		71
Income on development loans	925	865
Miscellaneous income	75	80
Foreign currency exchange losses	(92)	(86)
<b>Total Revenues, Gains and Losses From Operations</b>	<b>30,698</b>	<b>34,238</b>
<b>Expenses:</b>		
Program services-		
Program	12,037	11,335
Gifts-in-kind (Note 7)	14,251	15,329
Total program services	26,288	26,664
Supporting services-		
Fundraising and promotion:		
Fundraising and promotion	4,921	6,402
Gifts-in-kind (Note 7)	131	212
Management and general	1,415	1,296
Total supporting services	6,467	7,910
<b>Total Expenses</b>	<b>32,755</b>	<b>34,574</b>
<b>Change in Net Assets Without Donor Restrictions From Operations</b>	<b>(2,057)</b>	<b>(336)</b>
<b>Nonoperating Gain:</b>		
Forgiveness of amounts payable to CRISTA Ministries	1,815	
<b>Total Nonoperating Gain</b>	<b>1,815</b>	
<b>Change in Net Assets Without Donor Restrictions</b>	<b>\$ (242)</b>	<b>\$ (336)</b>

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, 2019 and 2018**  
(In Thousands)

	<u>2019</u>	<u>2018</u>
<b>Net Assets Without Donor Restrictions:</b>		
Total revenues, gains and losses without donor restrictions	\$ 25,780	\$ 26,845
Contributions released from restriction	6,733	7,393
Total expenses	<u>(32,755)</u>	<u>(34,574)</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(242)</b>	<b>(336)</b>
<b>Net Assets With Donor Restrictions:</b>		
Contributions	5,785	12,646
Contributions released from restriction	(6,733)	(7,393)
Income on investments	145	107
Net realized and unrealized gain (loss) on investments	<u>172</u>	<u>(128)</u>
Return on investment, net	317	(21)
<b>Change in Net Assets With Donor Restrictions</b>	<b>(631)</b>	<b>5,232</b>
<b>Total Change in Net Assets</b>	<b>(873)</b>	<b>4,896</b>
Net assets, beginning of year	<u>12,750</u>	<u>7,854</u>
<b>Net Assets, End of Year</b>	<b><u>\$ 11,877</u></b>	<b><u>\$ 12,750</u></b>

See accompanying notes.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)  
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**  
**Consolidated Statement of Functional Expenses**  
**For the Year Ended June 30, 2019**  
**(In Thousands)**

	Relief and Development Services	Fundraising and Promotion	Management and General	Total
Salaries	\$ 5,373	\$ 2,067	\$ 743	\$ 8,183
Payroll taxes	122	186	46	354
Employee benefits	535	215	84	834
Professional services	138	894	77	1,109
Advertising and promotion		529	2	531
Office expenses	301	269	37	607
Information technology	80	144	81	305
Occupancy	496		65	561
Travel	1,277	111	41	1,429
Conferences and training	199	15	18	232
Depreciation	12	81	106	199
Insurance	29	8	13	50
Dues and fees	37	3	24	64
Purchased services		33	13	46
Other			49	49
Program supplies	17,689	497	16	18,202
<b>Total Expenses</b>	<b>\$ 26,288</b>	<b>\$ 5,052</b>	<b>\$ 1,415</b>	<b>\$ 32,755</b>

See accompanying notes.



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

	Relief and Development Services	Fundraising and Promotion	Management and General	Total
Salaries	\$ 4,745	\$ 2,702	\$ 692	\$ 8,139
Payroll taxes	149	243	43	435
Employee benefits	545	331	88	964
Professional services	141	1,170	55	1,366
Advertising and promotion		549	1	550
Office expenses	326	324	22	672
Information technology	41	160	51	252
Occupancy	390	1	66	457
Travel	1,037	226	51	1,314
Conferences and training	194	14	23	231
Depreciation	12	88	97	197
Insurance	33	8	14	55
Dues and fees	45	3	22	70
Other			57	57
Purchased services		65		65
Program supplies	19,006	730	14	19,750
<b>Total Expenses</b>	<b>\$ 26,664</b>	<b>\$ 6,614</b>	<b>\$ 1,296</b>	<b>\$ 34,574</b>

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, 2019 and 2018**  
**(In Thousands)**

	<u>2019</u>	<u>2018</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ (873)	\$ 4,896
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities-		
Noncash activity:		
Depreciation	199	197
Net realized and unrealized (gain) loss on investments	(172)	128
Changes in operating assets and liabilities:		
Grants receivable	(160)	319
Receivable from CRISTA Ministries		1,555
Payable to CRISTA Ministries		148
Pledges receivable	192	(1,308)
Prepaid expenses and supplies	15	(15)
Development loans receivable	(124)	(461)
Overseas assets	199	(169)
Accounts payable and accrued expenses	44	276
<b>Net Cash (Used) Provided by Operating Activities</b>	<u><b>(680)</b></u>	<u><b>5,566</b></u>
<b>Cash Flows From Investing Activities:</b>		
Purchases of investments	(3,271)	(10,942)
Proceeds from sale of investments	3,989	4,463
<b>Net Cash Provided (Used) by Financing Activities</b>	<u><b>718</b></u>	<u><b>(6,479)</b></u>
<b>Net Change in Cash and Cash Equivalents</b>	<b>38</b>	<b>(913)</b>
<b>Cash and Cash Equivalents:</b>		
Beginning of year	3,128	4,041
<b>End of Year</b>	<u><u><b>\$ 3,166</b></u></u>	<u><u><b>\$ 3,128</b></u></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, 2019 and 2018**

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**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 funds from governments and foundations for international relief and development programs.

**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 implementing partner organizations and are deemed by management to be fully collectible. Therefore, an allowance for doubtful accounts was not recorded at June 30, 2019 and 2018.

**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 \$55,000 and \$87,000 at June 30, 2019 and 2018, respectively.

**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, 2019 and 2018**

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**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, 2019 and 2018.

**Investments** - Investments consist primarily of marketable equity securities, mutual funds, private equity and alternative strategy funds. Investments in marketable securities are stated at fair value. Investments in private equity are reported at their net asset 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 for equipment and \$5,000 and an estimated life of five years for property and improvements. 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 changes in net assets without donor restrictions 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, 2019 and 2018, 42% and 66%, 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:

Net Assets Without Donor Restrictions - Net assets without donor restrictions 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, 2019 and 2018**

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**Note 1 - Continued**

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met either by actions of the Organization, the passage of time, or must be maintained permanently by the Organization. The Organization had no net assets that must be maintained permanently at June 30, 2019 and 2018.

Revenues are reported as increases in net assets without donor restrictions unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of 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 revenue without donor restrictions.

**Nonoperating Activities** - The Organization considers all activities as operating activities except for gains on forgiven amounts due to CRISTA.

**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 \$92,000 and \$86,000 were recognized for the years ended June 30, 2019 and 2018, respectively, and these amounts are included in the consolidated statements of changes in net assets without donor restrictions.

**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.

**Methods Used for Allocation of Expenses Among Programs** - The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Organization. Those expenses include the Executive Office, ministry management department, the legal department, the information technology department, the security department, the facilities department, the housekeeping department and the grounds department. The Executive Office, ministry management departments and legal department expenses are allocated based on level of effort. Information technology costs are allocated based on workorders and network accounts. Facility expenses are allocated based upon workorders. Housekeeping, ground, and security expenses are allocated based upon square footage.

**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 federal 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.

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

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**Note 1 - Continued**

**Adoption of New Accounting Pronouncement** - For the year ended June 30, 2019, the Organization adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 - *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return among not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions. The Organization has also included information about the liquidity and availability of its financial assets (Note 11).

**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 changes in net assets or consolidated net asset balances as previously reported.

**Subsequent Events** - The Organization has evaluated subsequent events through October 17, 2019, the date on which the financial statements were available to be issued.

**Note 2 - Cash and Cash Equivalents**

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

	(In Thousands)	
	2019	2018
Cash	\$ 3,038	\$ 3,003
Money market funds	128	125
<b>Total Cash and Cash Equivalents</b>	<b>\$ 3,166</b>	<b>\$ 3,128</b>

Cash and cash equivalents include approximately \$1,317,000 and \$2,052,000 at June 30, 2019 and 2018, respectively, of funds on deposit in banks in foreign countries.

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

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**Note 3 - Pledges Receivable**

Pledges receivable are due as follows as of June 30:

	(In Thousands)	
	2019	2018
Receivables due in less than one year	\$ 500	\$ 571
Receivables due in one to five years	602	664
Receivables due in more than five years	250	375
	1,352	1,610
Less present value discount	(55)	(87)
Less allowance for uncollectible pledges receivable	(56)	(90)
<b>Pledges Receivable, Net</b>	<b>\$ 1,241</b>	<b>\$ 1,433</b>

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

	(In Thousands)	
	2019	2018
Current assets - pledges receivable, net	\$ 500	\$ 571
Long-term pledges receivable, net	741	862
<b>Pledges Receivable, Net</b>	<b>\$ 1,241</b>	<b>\$ 1,433</b>

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

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**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, 2019 and 2018.

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.

Private Equity - Valued at net asset value (NAV) per share, or its equivalent, as a practical expedient, as reported by the general partner or investment manager unless specific evidence indicated the NAV should be adjusted.



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

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2019 and 2018**

**Note 4 - Continued**

In accordance with ASU 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or its Equivalent)*, certain investments that were measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in on the subsequent pages are intended to permit reconciliation of the fair value hierarchy to the line items presented in the balance sheets.

Total investments and assets recorded at fair value on a recurring basis were as follows as of June 30, 2019:

	(In Thousands)			
	Level 1	Level 2	Level 3	Total
Equity mutual funds-				
U.S. large cap	\$ 495	\$ -	\$ -	\$ 495
U.S. mid cap	147			147
International	462			462
Blended	24			24
Fixed income mutual funds-				
U.S.	3,803			3,803
International	9			9
<b>Total mutual funds</b>	<b>4,940</b>			<b>4,940</b>
Alternative strategy funds-				
Hedge	595			595
Real estate	93			93
Commodities	68			68
<b>Total alternative strategy funds</b>	<b>756</b>			<b>756</b>
Equity securities	121			121
<b>Total Investments in the Fair Value Hierarchy</b>	<b>\$ 5,817</b>	<b>\$ -</b>	<b>\$ -</b>	<b>5,817</b>
Private equity investments measured at NAV				129
Cash and cash equivalents				116
<b>Total Investments</b>				<b>\$ 6,062</b>

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

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2019 and 2018**

**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
<b>Total Investments in the Fair Value Hierarchy</b>	<b>\$ 6,405</b>	<b>\$ -</b>	<b>\$ -</b>	<b>6,405</b>
Cash and cash equivalents				203
<b>Total Investments</b>				<b>\$ 6,608</b>

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

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2019 and 2018**

**Note 4 - Continued**

The following table lists, by category, investments in private equity for which fair value is measured using the NAV per share practical expedient; it summarizes significant terms of the agreements with certain investment companies; and it discloses unfunded investment commitments:

Strategy	(In Thousands)		Redemption Frequency	Redemption Notice Period	Other Restrictions
	Fair Value June 30, 2019	Unfunded Commitments			
Private equity- Limited liability company	\$ 129	\$ -	Not currently redeemable.	Not currently redeemable.	Not currently redeemable.

The private equity investment consists of a limited liability company holding real estate.

**Note 5 - Property and Equipment Used in Current Ministries**

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

	(In Thousands)	
	2019	2018
Buildings and improvements	\$ 245	\$ 244
Less accumulated depreciation	(138)	(125)
<b>Property and Equipment, Net</b>	<b>\$ 107</b>	<b>\$ 119</b>

**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, 2019 and 2018, outstanding balances in the MLP represented 26% and 25% of total assets, respectively.

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)  
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**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2019 and 2018**

**Note 6 - Continued**

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

	In Thousands	
	2019	2018
Receivables from individuals in Bangladesh	\$ 4,331	\$ 4,141
Less allowance for doubtful accounts-		
Beginning balance	(315)	(335)
Provision for loan losses	(66)	(53)
Loans written off		73
Ending balance	<u>(381)</u>	<u>(315)</u>
<b>Development Loans Receivable, Net</b>	<b><u>\$ 3,950</u></b>	<b><u>\$ 3,826</u></b>

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

	In Thousands	
	2019	2018
Less than one year	\$ 168	\$ 64
One to five years	154	59
<b>Total Loans Past Due</b>	<b><u>\$ 322</u></b>	<b><u>\$ 123</u></b>

The average loan size was \$473 and \$360 as of June 30, 2019 and 2018, 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, 2019 and 2018.

The Organization holds approximately \$1,800,000 in deposits against the loans from the individuals in the MLP at June 30, 2019 and 2018, respectively. 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, 2019 and 2018**

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**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 an average of 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.

**Note 7 - Continued**

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

	(In Thousands)	
	<u>2019</u>	<u>2018</u>
Medicines and medical supplies	\$ 14,243	\$ 15,313
Other	103	13
Advertising	32	212
Travel	4	
Clothing		3
<b>Total Gifts-in-Kind</b>	<b><u>\$ 14,382</u></b>	<b><u>\$ 15,541</u></b>

For years ended June 30, 2019 and 2018, the Organization distributed approximately 12.2 million and 13.9 million deworming pills, respectively, to children and adults in several countries. Of the total GIK for the years ended June 30, 2019 and 2018, 99% and 96%, 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, 2019 and 2018**

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**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 \$7,700. Lease expense for both the years ended June 30, 2019 and 2018, 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 years 2019 and 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, 2019 and 2018, were approximately \$32,000 and \$38,000, 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)	
	2019	2018
Expenses-		
Fundraising services	\$ 4,832	\$ 6,182
Management services	848	711
Office space	126	107
Other	21	34
<b>Total Expenses</b>	<b>\$ 5,827</b>	<b>\$ 7,034</b>

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

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2019 and 2018**

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**Note 9 - Continued**

**Payable to CRISTA Ministries** - As of June 30, 2019 and 2018, \$333,000, respectively, is reflected as a payable to CRISTA Ministries on the consolidated balance sheets related to expenses incurred during the year ending June 30, 2018. During the year ending June 30, 2019, CRISTA Ministries forgave \$1,815,000 in amounts receivable from the Organization. The forgiveness of the liability is reported as a nonoperating gain on the statements of changes in net assets without donor restrictions.

**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 net assets with donor restrictions 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 years ended June 30:

	(In Thousands) With Donor Restrictions
Endowment Net Assets, June 30, 2017	\$ -
Endowment investment return, net- Contributions	(31) 6,626
Distributions	(583)
<b>Endowment Net Assets, June 30, 2018</b>	<b>6,012</b>
Endowment investment return, net- Distributions	300 (895)
<b>Endowment Net Assets, June 30, 2019</b>	<b>\$ 5,417</b>

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 3%, whichever is greater. Actual returns may vary significantly from this objective in any given year.

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

**Notes to Consolidated Financial Statements  
For the Years Ended June 30, 2019 and 2018**

**Note 10 - Continued**

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.

**Underwater Endowment Funds with Deficiencies** - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the State Prudent Management of Institutional Funds Act requires the Organization to retain as a fund of perpetual duration. No deficiencies existed at June 30, 2019 and 2018, as the Organization has no endowment funds to be held in perpetuity.

**Note 11 - Liquidity and Availability of Financial Assets**

The Organization's financial assets available within one year of the balance sheet date for general expenditure were as follows at June 30:

	(In Thousands)	
	2019	2018
Cash and cash equivalents	\$ 3,166	\$ 3,128
Grants receivable	408	248
Pledges receivable	1,241	1,433
Investments	6,062	6,608
Total financial assets	10,877	11,417
Receivables scheduled to be collected in more than one year	(741)	(862)
Term endowment	(5,417)	(6,012)
<b>Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year</b>	<b>\$ 4,719</b>	<b>\$ 4,543</b>

Liquidity and reserves for World Concern are managed centrally by CRISTA Ministries. Financial assets available to meet cash needs of general expenditures are primarily carried by CRISTA Ministries. World Concern generally carries direct financial assets sufficient to meet approximately 30 days of expected cash operating expenses in overseas locations. Development loans receivable are not included in the table above, as amounts collected on the loans are reinvested in the loan program to provide new loans.

CRISTA Ministries manages its overall liquidity and reserves following three guiding principles: (1) operating within a prudent range of financial soundness and stability, (2) maintaining adequate liquid assets to fund near-term operating needs, and (3) maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. CRISTA has a liquidity policy to maintain current financial assets at a minimum of 30 days of expected cash operating expenses. CRISTA has a policy to target a year-end balance of reserves of undesignated net assets without donor restrictions to meet 60 to 105 days of expected expenditures. To achieve these targets, CRISTA forecasts its future cash flows and monitors its liquidity monthly and monitors its reserves quarterly. CRISTA also has a line of credit available to meet short-term needs.



**SUPPLEMENTARY INFORMATION**

**WORLD CONCERN (A MINISTRY OF CRISTA MINISTRIES)  
AND WORLD CONCERN DEVELOPMENT ORGANIZATION**  
Consolidating Balance Sheet  
June 30, 2019  
(In Thousands)

	World Concern	World Concern Development Organization	Consolidation/ Eliminations	Total
<b>Assets</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 3,119	\$ 47	\$ -	\$ 3,166
Grants receivable	408			408
Receivable from World Concern		1,157	(1,157)	
Pledges receivable, net	500			500
<b>Total Current Assets</b>	<b>4,027</b>	<b>1,204</b>	<b>(1,157)</b>	<b>4,074</b>
Investments	6,062			6,062
Long-term pledges receivable, net	741			741
Property and equipment used in current ministries, net	107			107
Development loans receivable, net	3,950			3,950
Overseas assets	140			140
<b>Total Assets</b>	<b>\$ 15,027</b>	<b>\$ 1,204</b>	<b>\$ (1,157)</b>	<b>\$ 15,074</b>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities:</b>				
Accounts payable and accrued expenses	\$ 2,864	\$ -	\$ -	\$ 2,864
Payable to CRISTA Ministries	333			333
Payable to World Concern Development Organization	1,157		(1,157)	
<b>Total Current Liabilities</b>	<b>4,354</b>		<b>(1,157)</b>	<b>3,197</b>
<b>Net Assets:</b>				
Without donor restrictions-				
General	748	1,186		1,934
Represented by property and equipment owned by the Organization	107			107
Total net assets without donor restrictions	855	1,186		2,041
With donor restrictions-				
Term endowment	5,417			5,417
Restricted for program activities	4,401	18		4,419
Total net assets with donor restrictions	9,818	18		9,836
<b>Total Net Assets</b>	<b>10,673</b>	<b>1,204</b>		<b>11,877</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 15,027</b>	<b>\$ 1,204</b>	<b>\$ (1,157)</b>	<b>\$ 15,074</b>

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, 2019**  
**(In Thousands)**

	World Concern	World Concern Development Organization	Total
<b>Operating Revenues, Gains and Losses:</b>			
Contributions	\$ 8,409	\$ 266	\$ 8,675
Contributions released from restrictions	6,730	3	6,733
Gifts-in-kind	14,382		14,382
Government grants			
Income on development loans	925		925
Miscellaneous income	75		75
Foreign currency exchange losses	(92)		(92)
<b>Total Operating Revenues, Gains and Losses</b>	<b>30,429</b>	<b>269</b>	<b>30,698</b>
<b>Expenses:</b>			
Program services-			
Program	12,037		12,037
Gifts-in-kind	14,251		14,251
Total program services	26,288		26,288
Supporting services-			
Fundraising and promotion:			
Fundraising and promotion	4,921		4,921
Gifts-in-kind	131		131
Management and general	1,342	73	1,415
Total supporting services	6,394	73	6,467
<b>Total Expenses</b>	<b>32,682</b>	<b>73</b>	<b>32,755</b>
<b>Change in Net Assets Without Donor Restrictions From Operations</b>	<b>(2,253)</b>	<b>196</b>	<b>(2,057)</b>
<b>Nonoperating Gain:</b>			
Forgiveness of amounts payable to CRISTA Ministries	1,815		1,815
<b>Total Nonoperating Gain</b>	<b>1,815</b>		<b>1,815</b>
<b>Change in Net Assets Without Donor Restrictions</b>	<b>(438)</b>	<b>196</b>	<b>(242)</b>
<b>Net Assets With Donor Restrictions:</b>			
Contributions	5,785		5,785
Contributions released from restrictions	(6,730)	(3)	(6,733)
Income on investments	145		145
Net realized and unrealized gains on investments	172		172
<b>Change in Net Assets With Donor Restrictions</b>	<b>(628)</b>	<b>(3)</b>	<b>(631)</b>
<b>Total Change in Net Assets</b>	<b>(1,066)</b>	<b>193</b>	<b>(873)</b>
Net assets, beginning of year	11,739	1,011	12,750
<b>Net Assets, End of Year</b>	<b>\$ 10,673</b>	<b>\$ 1,204</b>	<b>\$ 11,877</b>

See independent auditor's report.

**WORLD CONCERN DEVELOPMENT ORGANIZATION**

**Schedule of Functional Expenses  
For the Year Ended June 30, 2019  
(In Thousands)**

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	Relief and Development Services	Management and General	Total
Salaries	\$ -	\$ 18	\$ 18
Professional services		6	6
Office expenses		8	8
Occupancy		15	15
Travel		2	2
Insurance		2	2
Dues and fees		22	22
	<hr/>	<hr/>	<hr/>
<b>Total Expenses</b>	<b>\$ -</b>	<b>\$ 73</b>	<b>\$ 73</b>

See independent auditor's report.