

LUTHERAN WORLD RELIEF, INCORPORATED

***FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS***

SEPTEMBER 30, 2009

LUTHERAN WORLD RELIEF, INCORPORATED

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TAIT, WELLER & BAKER LLP
Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Lutheran World Relief, Incorporated
Baltimore, Maryland

We have audited the accompanying statement of financial position of Lutheran World Relief, Incorporated (the "Organization") as of September 30, 2009, and the related statements of activities and changes in net assets, of functional expenses, and of cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Lutheran World Relief, Incorporated's 2008 financial statements and, in our report dated January 14, 2009, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 Lutheran World Relief, Incorporated as of September 30, 2009, the changes in its net assets, its functional expenses and its cash flows 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 5, 2010

LUTHERAN WORLD RELIEF, INCORPORATED

STATEMENTS OF FINANCIAL POSITION

September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 6,952,598	\$ 4,231,311
Accounts receivable – U.S. Government	601,949	926,562
Miscellaneous receivables and advances to overseas offices	845,630	1,046,288
Contributions receivable (Note 4)	1,669,307	2,649,907
Marketable securities (Note 2)	25,445,426	28,211,543
Other investments (Note 2)	135,635	152,282
Plant and equipment – net of accumulated depreciation (Note 5)	522,585	371,924
Funds held by trustee (Note 8)	349,531	351,467
Investment in Lutheran Center Corporation (Note 6)	<u>3,387,759</u>	<u>3,400,214</u>
	39,910,420	41,341,498
Inventories of donated materials for distribution, at estimated values	<u>1,976,632</u>	<u>2,377,482</u>
Total assets	<u>\$41,887,052</u>	<u>\$43,718,980</u>
LIABILITIES		
Accounts payable and other accrued expenses	\$ 1,120,769	\$ 1,308,847
Long-term debt (Note 8)	<u>2,770,427</u>	<u>2,851,101</u>
Total liabilities	<u>3,891,196</u>	<u>4,159,948</u>
NET ASSETS		
Unrestricted		
General (Note 10)	22,821,103	21,943,445
Plant and Equipment Fund		
Unexpended	740,000	740,000
Investment in plant and equipment	<u>522,585</u>	<u>371,924</u>
	24,083,688	23,055,369
Inventories of donated materials for distribution, at estimated values	<u>1,976,632</u>	<u>2,377,482</u>
Total unrestricted net assets	26,060,320	25,432,851
Temporarily restricted (Note 10)	11,768,762	13,959,407
Permanently restricted (Note 10)	<u>166,774</u>	<u>166,774</u>
Total net assets	<u>37,995,856</u>	<u>39,559,032</u>
Total liabilities and net assets	<u>\$41,887,052</u>	<u>\$43,718,980</u>

LUTHERAN WORLD RELIEF, INCORPORATED

STATEMENTS OF CASH FLOWS

Years ended September 30, 2009 and 2008

	<u>2009</u>	<u>2008</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
<i>Cash flows from operating activities</i>		
Cash received from contributors	\$ 22,117,569	\$ 17,249,387
Cash received from U.S. Government	2,259,059	2,272,862
Interest and dividends received	1,138,080	1,547,611
Miscellaneous receipts (payments)	(645)	91,933
Grants paid	(12,467,697)	(9,268,108)
Cash paid for other expenditures	<u>(12,768,604)</u>	<u>(12,346,654)</u>
Net cash provided by (used for) operating activities	<u>277,762</u>	<u>(452,969)</u>
<i>Cash flows from investing activities</i>		
Purchase of equipment	(266,646)	(173,100)
Purchase of investments	(19,456,461)	(9,301,673)
Proceeds from sale of investments	<u>22,244,132</u>	<u>9,213,224</u>
Net cash provided by (used for) investing activities	<u>2,521,025</u>	<u>(261,549)</u>
<i>Cash flows from financing activities</i>		
issuance of long-term debt	<u>(77,500)</u>	<u>(117,500)</u>
Net cash used for financing activities	<u>(77,500)</u>	<u>(117,500)</u>
Net increase (decrease) in cash	2,721,287	(832,018)
<i>Cash and cash equivalents</i>		
Beginning of year	<u>4,231,311</u>	<u>5,063,329</u>
End of year	<u>\$ 6,952,598</u>	<u>\$ 4,231,311</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
<i>Change in net assets</i>	\$ (1,563,176)	\$ (2,830,951)
<i>Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities</i>		
Support-in-kind	(10,782,813)	(10,386,544)
Material aid in-kind	11,183,663	11,527,143
Amortization of discount/premium and deferred loan costs	2,028	2,046
Depreciation	115,985	83,498
Equity in loss in Lutheran Center Corporation	12,455	55,210
Loss on sale of investments	427,348	146,317
Change in unrealized (appreciation) depreciation	(432,255)	2,713,747
(Increase) decrease in		
Accounts receivable – U.S. Government	324,613	(107,257)
Miscellaneous receivables and advances to overseas offices	195,456	(230,165)
Contributions receivable	980,600	(1,293,959)
Funds held by trustee	1,936	(67,836)
Increase (decrease) in		
Accounts payable and accrued expenses	<u>(188,078)</u>	<u>(64,218)</u>
Net cash provided by (used for) operating activities	<u>\$ 277,762</u>	<u>\$ (452,969)</u>

LUTHERAN WORLD RELIEF, INCORPORATED

NOTES TO FINANCIAL STATEMENTS

September 30, 2009 and 2008

(1) SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND PURPOSE

Lutheran World Relief ("*LWR*") works with partners in 35 countries to help people grow food, improve health, strengthen communities, end conflict, build livelihoods and recover from disasters.

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 at 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 balance sheet date through the date that the financial statements were available for issuance, January 5, 2010, have been evaluated in the preparation of the financial statements.

CONCENTRATION OF CREDIT RISK

LWR occasionally maintains deposits in excess of federally insured limits. Accounting Standards Codification ("*ASC*") 825, "*Financial Instruments*", formerly known as Statement of Financial Accounting Standards ("*SFAS*") No. 107, identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by monitoring the financial institutions in which deposits are made.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include \$6,625,464 and \$4,073,023 of money market funds and commercial paper with maturities of 90 days or less as of September 30, 2009 and 2008, respectively.

INVESTMENTS

The fair value of investments traded on a securities exchange is determined based on market prices for these investments.

As part of its investment policy, LWR follows prohibitions to investing in specific companies practiced by the two primary supporting Church bodies to the extent such prohibitions are communicated to LWR.

PLANT, EQUIPMENT AND DEPRECIATION

Furniture and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which are 10 years for furniture and equipment, and 5 years for overseas transportation and other equipment.

INVENTORY OF DONATED MATERIALS

Inventory of donated materials (blankets and quilts, food, medical and other supplies) is valued at their estimated fair value at date of receipt. Donated goods are removed from inventory at the time of shipment of such goods at values assigned on the date of receipt.

LUTHERAN WORLD RELIEF, INCORPORATED

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

NET ASSETS

LWR's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of LWR and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of LWR and/or the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by LWR. Generally, the donors of these assets permit LWR to use all or part of the income earned on related investments for general or specific purposes.

CONTRIBUTIONS

LWR 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 reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

GRANTS PAYABLE

LWR does not record multi-year grants payable since each grant award is conditional, subject to ongoing review and evaluation.

U.S. GOVERNMENT GRANTS

LWR has various grants with the United States Agency for International Development (“**USAID**”) and the Department of State (“**USDOS**”). LWR applies for such funds at the time the expenditure is made, which is the basis for recognizing revenue (*See Note 11*).

ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services.

INCOME TAXES

As a non-profit organization under Section 501(c)(3) of the Internal Revenue Code, LWR is exempt from federal, state and city corporate income taxes.

PRIOR YEAR INFORMATION

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such 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 information should be read in conjunction with LWR's audited financial statements for the year ended September 30, 2008, from which the summarized information was derived.

LUTHERAN WORLD RELIEF, INCORPORATED

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

(2) INVESTMENTS

At September 30, 2009 and 2008, investments consisted of the following:

MARKETABLE SECURITIES

	2009		2008	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>
U.S. Government Securities	\$12,478,407	\$13,121,863	\$15,591,998	\$16,010,243
Common Stock	3,737,705	3,847,750	4,739,911	4,432,559
Mutual funds				
Balanced	1,394,843	1,242,254	1,371,792	1,271,430
Equity	4,335,850	3,995,319	3,082,757	2,959,934
Bond	1,240,810	1,168,941	2,141,123	2,065,081
High Yield	757,388	657,774	703,885	598,197
Income	995,372	1,045,946	589,086	515,933
Other	437,019	365,579	421,451	358,166
	<u>\$25,377,394</u>	<u>\$25,445,426</u>	<u>\$28,642,003</u>	<u>\$28,211,543</u>

OTHER INVESTMENTS

Other investments represent LWR's investment in Divine Chocolate, the world's first farmer-owned Fair Trade chocolate company. This investment is an integral component of LWR's program relating to Fair Trade activities. Unrealized losses of \$66,237 and \$85,595 were included in investment income for the years ended September 30, 2009 and 2008, respectively.

INVESTMENT RETURN

The following summarizes the total investment return for the years ended September 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Net investment income	\$1,089,114	\$ 1,547,611
Net realized loss	(427,348)	(146,317)
Net unrealized gain/(loss)	<u>432,255</u>	<u>(2,713,747)</u>
Investment income	<u>\$1,094,021</u>	<u>\$(1,312,453)</u>

During the fiscal year ended September 30, 2001, LWR approved a fixed rate of return ("*spending rate*") in utilizing investment income and net gains for operations. The spending rate was not utilized in either fiscal years 2009 or 2008.

LUTHERAN WORLD RELIEF, INCORPORATED

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

(3) FAIR VALUE OF FINANCIAL INSTRUMENTS

On October 1, 2008, LWR adopted the provisions of ASC 820, “*Fair Value Measurements and Disclosures*”, formerly known as SFAS No. 157, “*Fair Value Measurements.*” For financial statements elements currently required to be measured at fair value, ASC 820 clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value and requires additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy under ASC 820 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 LWR’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. For example, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities are reflected as Level 2.

The summary of inputs used to value LWR’s Marketable Securities that are carried at fair value as of September 30, 2009 is as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. Government Securities	\$ -	\$13,121,863	\$13,121,863
Common Stock	3,847,750	-	3,847,750
Mutual funds			
Balanced	1,242,254	-	1,242,254
Equity	3,995,319	-	3,995,319
Bond	1,168,941	-	1,168,941
High Yield	657,774	-	657,774
Income	1,045,946	-	1,045,946
Other	-	365,579	365,579
	<u>\$11,957,984</u>	<u>\$13,487,442</u>	<u>\$25,445,426</u>

The summary of inputs used to value LWR’s Other Investments that are carried at fair value as of September 30, 2009 is as follows:

	<u>Level 3</u>
Investment in Divine Chocolate	\$135,635

LUTHERAN WORLD RELIEF, INCORPORATED

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

The changes in investments measured at fair value for which LWR used Level 3 inputs to determine fair value are as follows:

	Investment In Divine Chocolate
Balance, October 1, 2008	\$ 152,282
Purchases net	49,590
Realized and unrealized losses, net	<u>(66,237)</u>
Balance, September 30, 2009	<u>\$135,635</u>

(4) CONTRIBUTIONS RECEIVABLE

Contributions are recognized when the donor makes a promise to give to LWR that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily restricted net assets. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Contributions receivable include commitments and various deferred gift annuity contracts which are held by others, but for which LWR has been named the beneficiary. As of September 30, 2009 and 2008, contributions receivable consist of the following:

	2009	2008
Other commitments	\$ 472,049	\$1,716,814
Deferred gifts	<u>1,197,258</u>	<u>933,093</u>
	<u>\$1,669,307</u>	<u>\$2,649,907</u>

(5) PLANT AND EQUIPMENT

The costs of such assets were as follows:

	2009	2008
Office furniture and equipment – headquarters	\$ 771,085	\$ 616,785
Office building – overseas	104,775	104,775
Transportation and other equipment – overseas operations	<u>580,151</u>	<u>429,915</u>
	1,456,011	1,151,475
Less accumulated depreciation	<u>933,426</u>	<u>779,551</u>
Net value	<u>\$ 522,585</u>	<u>\$ 371,924</u>

LUTHERAN WORLD RELIEF, INCORPORATED

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

(6) INVESTMENT IN LUTHERAN CENTER CORPORATION

LWR occupies approximately 33% of the office space and common space in the Lutheran Center owned by Lutheran Center Corporation (“LCC”). LCC, a non-profit organization, was organized to construct and operate the office building which LWR, Lutheran Immigration and Refugee Service (“LIRS”) and other organizations occupy. LWR has a 50% interest in LCC and as such, carries its investment in LCC on the equity method. LWR, LIRS and other tenants are providing monthly payments to LCC under a partial cost sharing agreement which provides for reimbursement of costs, including interest and depreciation, in operating the building based upon space occupied. The Agreement is for 30 years commencing September 1, 1999 through August 31, 2029 with six renewal options of 10 years each. Since LWR occupies less than 50% of the total space, repayment of LWR’s portion of debt and related interest is funded by the other tenants cost share contributions based upon their percentage of space occupied. For the years ended September 30, 2009 and 2008, LWR has recorded occupancy expense of \$357,595 and \$343,939, respectively. The recording of depreciation expense as part of the cost share reduces the investment in LCC since LWR has previously provided equity investments in LCC. At September 30, 2009 and 2008, LWR’s equity in LCC was \$3,387,759 and \$3,400,214, respectively. At September 30, 2009, LCC assets consisted principally of the building. The building is subject to a ground lease which provides for LCC to pay rent of \$1 per year for the fifty years, with four optional ten-year extensions.

(7) LINE OF CREDIT

LWR maintains a line of credit with a bank on which the maximum permitted balance is \$500,000. Interest is calculated at the London Inter Bank Offered Rate (“LIBOR”) plus 0.95% and is payable monthly. The line of credit expires on February 28, 2010. As a condition of the line of credit, LWR must maintain liquidity of at least \$5,000,000. At September 30, 2009 and 2008, there was no balance outstanding.

(8) DEBT

On July 26, 2007, LWR and LIRS borrowed \$5,805,000 through the issuance of Economic Development Revenue Bonds, Series 2007, (“2007 Bonds”) through the Maryland Economic Development Corporation. The 2007 Bonds were issued to advance refund the Maryland Economic Development Revenue Bonds, Series 2000 (“2000 Bonds”) issued by the Maryland Economic Development Corporation. In addition, proceeds of the 2007 Bonds were used to pay a portion of the issuance costs of the 2007 Bonds. LWR and LIRS are jointly and severally liable for the 2007 Bonds and as such, each has recorded 50% of the outstanding debt and related issue costs. In the event that LIRS is unable to payoff their portion of the outstanding debt, LWR will be liable. LCC, as owner of Lutheran Center, has guaranteed the repayment of the debt. LWR and LIRS must maintain a joint leverage ratio (cash and investments to annual debt service) of 5 to 1 or approximately \$2,500,000.

The 2007 Bonds were issued as Serial Bonds maturing April 1 in the years 2008 through 2029 and have annual mandatory sinking fund provisions which begin in 2008. The 2007 Bonds bear interest at 5.25% per annum. Deferred loan costs in the amount of \$113,106 were incurred in connection with the issuance of the 2007 Bonds and LWR capitalized 50% of these costs which are being amortized on a straight-line basis over the life of the bonds. Long-term debt on the 2007 Bonds at September 30, 2009 and 2008 is shown on the statement of financial position including unamortized bond premium of \$62,927 and \$66,101, respectively.

LUTHERAN WORLD RELIEF, INCORPORATED

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

In conjunction with the issuance of the 2007 Bonds, a Debt Service Reserve Fund was created in the amount of \$476,594 and LWR has recorded 50% of these funds as Funds held by Trustee. Funds in the Debt Service Reserve Fund may be withdrawn by the Trustee to make the principal or interest payments of the 2007 Bonds in the event that the other funds available for the purpose are inadequate.

Principal payments under the terms of the 2007 Bond indenture are as follows:

<u>Date</u>	<u>LWR Portion</u>	<u>LIRS Portion</u>	<u>Total</u>
April 1, 2010	\$ 80,000	\$ 80,000	\$ 160,000
April 1, 2011	82,500	82,500	165,000
April 1, 2012	87,500	87,500	175,000
April 1, 2013	92,500	92,500	185,000
April 1, 2014	100,000	100,000	200,000
April 1, 2014 and thereafter	<u>2,265,000</u>	<u>2,265,000</u>	<u>4,530,000</u>
	<u>\$2,707,500</u>	<u>\$2,707,500</u>	<u>\$5,415,000</u>

Interest on the 2007 Bonds for the year ended September 30, 2009 and 2008 amounted to \$144,178 and \$150,884, respectively. Payments of principal and interest are partially funded by other tenants in the Lutheran Center through allocation of building costs based upon space occupied (*See Note 6*).

(9) LEASE COMMITMENTS

LWR has two operating leases for office space that expire on June 30, 2013 and October 31, 2013. On November 1, 2009, LWR subleased one of these facilities for one year under an agreement expiring on October 31, 2010. Rent expense for the years ended September 30, 2009, and 2008 was approximately \$104,500 and \$34,600, respectively. As of September 30, 2009, future minimum lease obligations under these operating leases, net of rent payments owed to LWR under the sub-lease agreement, are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2010	\$ 81,191
2011	115,618
2012	122,992
2013	116,482
2014	<u>7,011</u>
	<u>\$443,294</u>

LUTHERAN WORLD RELIEF, INCORPORATED

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

(10) NET ASSETS

General unrestricted net assets include \$1,920,490 and \$1,918,323 in 2009 and 2008, respectively, of amounts designated by the Board of Directors as quasi-endowment funds and accumulated earnings thereon.

Temporarily restricted net assets at September 30, 2009 and 2008 are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Stand With Africa	\$ 105,956	\$ 82,964
Small Farmers	51,366	43,425
Sudan Relief and Rehabilitation	179,859	259,478
South Asia Tsunami Relief and Rehabilitation	7,600,825	11,229,608
East Africa Drought Response	89,421	93,704
West Africa Drought Response	68,879	210,247
Kenya-Response to Drought & Famine	20,747	20,747
Water for Women	63,416	241,744
Lutheran Malaria Initiative	1,200,200	17,090
Subsistence Plus	477,292	-
Sri Lanka Emergency Funds	39,158	-
Kenya Crisis Funds	32,523	24,648
Other Temporarily Restricted Funds	169,813	75,402
Use in future periods		
Contributions	<u>1,669,307</u>	<u>1,660,350</u>
	<u>\$11,768,762</u>	<u>\$13,959,407</u>

Permanently restricted net assets at September 30, 2009 and 2008, respectively, are available for the following purposes:

	<u>2009</u>	<u>2008</u>
Endowment Fund	\$ 66,000	\$ 66,000
Kathryn F. Wolford Global Fund For Women	<u>100,774</u>	<u>100,774</u>
	<u>\$166,774</u>	<u>\$166,774</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors, as follows:

Purpose restrictions accomplished:

International Programs, Relief and Development	\$10,789,443
Faith in Action (Education and Public Policy)	225,978
Fundraising	86,771
Grant Relations and Management	300,665
Time restrictions expired	<u>890,202</u>
	<u>\$12,293,059</u>

LUTHERAN WORLD RELIEF, INCORPORATED

NOTES TO FINANCIAL STATEMENTS – (Continued)

September 30, 2009 and 2008

(11) U.S. GOVERNMENT GRANTS

LWR has entered into grant agreements with USAID and USDOS for various programs. The revenues and expenditures for the years ended September 30, 2009 and 2008 are as follows:

	<u>2009</u>		<u>2008</u>	
	<u>Revenues</u>	<u>Expenditures</u>	<u>Revenues</u>	<u>Expenditures</u>
Relief and other programs				
USAID	\$ 814,765	\$ 814,765	\$ 697,175	\$ 697,175
USDOS	<u>1,057,831</u>	<u>1,057,831</u>	<u>1,632,544</u>	<u>1,632,544</u>
	1,872,596	1,872,596	2,329,719	2,329,719
Ocean Freight Reimbursement – USAID	<u>61,850</u>	<u>61,850</u>	<u>50,400</u>	<u>50,400</u>
Total U.S. Government Grants – Cash	<u>\$1,934,446</u>	<u>\$1,934,446</u>	<u>\$2,380,119</u>	<u>\$2,380,119</u>

(12) PENSION PLAN

All employees of LWR are enrolled in the defined contribution pension plan made available and administered by the Board of Pensions of the Evangelical Lutheran Church in America. Contributions to this plan are based upon earnings for all eligible employees and are accrued and funded on a current basis. Pension expense was approximately \$310,000 for 2009 and \$289,000 for 2008.

(13) COMMITMENTS AND CONTINGENCIES

LWR has entered into loan guarantee agreements with certain banks and nonprofit microfinance institutions (MFI's) overseas in order to facilitate credit for various partner organizations. Under these agreements, LWR would be jointly responsible with the banks and MFI's for non-payment by the borrowers. The terms of these guarantees are generally over the life of the outstanding loans, which currently become due on or before December 31, 2010. As of September 30, 2009 and 2008, LWR's maximum commitments under these agreements was approximately \$81,500 and \$170,000, respectively. LWR did not incur any expense due to nonpayment during the years ended September 30, 2009 and 2008.

SUPPLEMENTAL INFORMATION

TAIT, WELLER & BAKER LLP

Certified Public Accountants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON SUPPLEMENTAL INFORMATION

**Lutheran World Relief, Incorporated
Baltimore, Maryland**

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole of Lutheran World Relief, Incorporated as of and for the year ended September 30, 2009 which are presented in the preceding section of this report. The accompanying supplemental information for area support and program services expenses, pages 16 to 18, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Tait, Weller & Baker LLP

**Philadelphia, Pennsylvania
January 5, 2010**

LUTHERAN WORLD RELIEF, INCORPORATED

AREA SUPPORT AND PROGRAM SERVICES EXPENSES

Year ended September 30, 2009 with Comparative Totals for 2008

	PROGRAM SERVICES				
	2009			2008	
	International Programs, Relief And Development	Faith In Action (Education And Public Policy)	Organizational Effectiveness	2009 Total	Comparative Total
Africa					
Burkina Faso	\$ 1,818,757	\$ -	\$ -	\$ 1,818,757	\$ 1,925,674
Chad	169,565	-	-	169,565	34,000
Congo	50,003	-	-	50,003	311,154
Ethiopia	2,350	-	-	2,350	19,000
Kenya	1,188,473	-	-	1,188,473	1,787,547
Liberia	193,807	-	-	193,807	-
Mali	1,040,384	-	-	1,040,384	304,385
Mauritania	494,500	-	-	494,500	965,948
Niger	691,277	-	-	691,277	989,095
Sierra Leone	1,421,906	-	-	1,421,906	1,078,377
Somalia	-	-	-	-	30,000
Sudan	280,018	-	-	280,018	968,551
Tanzania	1,736,917	-	-	1,736,917	1,359,338
Uganda	751,166	-	-	751,166	655,522
Zambia	-	-	-	-	79,400
Zimbabwe	37,890	-	-	37,890	204,010
Program Management	572,032	-	-	572,032	427,319
	<u>10,449,045</u>	<u>-</u>	<u>-</u>	<u>10,449,045</u>	<u>11,139,320</u>
Asia					
Afghanistan	544,159	-	-	544,159	82,836
Bangladesh	-	-	-	-	30,162
Cambodia	-	-	-	-	435,919
China	-	-	-	-	151,833
India	1,859,154	-	-	1,859,154	1,553,952
Indonesia	1,941,167	-	-	1,941,167	882,301
Laos	172,277	-	-	172,277	172,892
Myanmar	74,837	-	-	74,837	286,855
Nepal	195,345	-	-	195,345	23,397
Philippines	1,020,659	-	-	1,020,659	558,771
Sri Lanka	1,825,281	-	-	1,825,281	191,524
Thailand	1,289,624	-	-	1,289,624	1,269,264
Program Management	385,254	-	-	385,254	485,017
	<u>9,307,757</u>	<u>-</u>	<u>-</u>	<u>9,307,757</u>	<u>6,124,723</u>

LUTHERAN WORLD RELIEF, INCORPORATED

AREA SUPPORT AND PROGRAM SERVICES EXPENSES – (Continued)

Year ended September 30, 2009 with Comparative Totals for 2008

	PROGRAM SERVICES				2008
	2009			2009 Total	
International Programs, Relief And Development	Faith In Action (Education And Public Policy)	Organizational Effectiveness			
Eastern Europe/Central Asia					
Armenia	\$ -	\$ -	\$ -	\$ -	\$ 170,297
Azerbaijan	1,973,337	-	-	1,973,337	1,042,809
Belarus	179,066	-	-	179,066	-
Bosnia-Hercegovina	-	-	-	-	117,618
Georgia	521,680	-	-	521,680	716,270
Tajikistan	-	-	-	-	486,671
Ukraine	516,833	-	-	516,833	886,830
Uzbekistan	193,659	-	-	193,659	-
Yugoslavia	-	-	-	-	218,890
	<u>3,384,575</u>	<u>-</u>	<u>-</u>	<u>3,384,575</u>	<u>3,639,385</u>
Latin America					
Bolivia	610,613	-	-	610,613	576,584
Colombia	509,724	-	-	509,724	358,255
Costa Rica	3,500	-	-	3,500	5,000
El Salvador	202,701	-	-	202,701	159,417
Guatemala	203,386	-	-	203,386	-
Haiti	97,447	-	-	97,447	69,000
Honduras	138,498	-	-	138,498	161,000
Multi-country Latin America	51,771	-	-	51,771	-
Nicaragua	1,359,270	-	-	1,359,270	1,408,757
Panama	10,000	-	-	10,000	-
Peru	1,282,882	-	-	1,282,882	1,185,952
Program Management	402,236	-	-	402,236	359,662
Other	-	-	-	-	23,595
	<u>4,872,028</u>	<u>-</u>	<u>-</u>	<u>4,872,028</u>	<u>4,307,222</u>
Middle East					
Jordan	344,858	-	-	344,858	238,416
Lebanon	-	-	-	-	195,435
Multi-country Middle East	122,558	-	-	122,558	-
Palestine	521,579	-	-	521,579	135,503
Pakistan	159,023	-	-	159,023	31,844
Syrian Arab Republic	-	-	-	-	173,703
Other	-	-	-	-	125,000
	<u>1,148,018</u>	<u>-</u>	<u>-</u>	<u>1,148,018</u>	<u>899,901</u>
Total area program expenses	<u>29,161,423</u>	<u>-</u>	<u>-</u>	<u>29,161,423</u>	<u>26,110,551</u>

LUTHERAN WORLD RELIEF, INCORPORATED

AREA SUPPORT AND PROGRAM SERVICES EXPENSES – (Continued)

Year ended September 30, 2009 with Comparative Totals for 2008

	PROGRAM SERVICES				
	2009			2008	
	International Programs, Relief And Development	Faith In Action (Education And Public Policy)	Organizational Effectiveness	2009 Total	Comparative Total
Other program expenses					
Cross Regional –					
Program Management	\$ 385,546	\$ -	\$ -	\$ 385,546	\$ 686,398
Program Support	468,674	40	-	468,714	-
Organizational Effectiveness	-	-	-	-	312,624
Material Resources –					
Program Management	83,668	-	-	83,668	77,650
Emergencies –					
Program Management	115,926	-	-	115,926	86,457
International Program Development & Technical Support	202,297	-	-	202,297	49,523
Communications, Education and Public Policy	1,905	2,484,545	2,510	2,488,960	2,245,436
Worldwide	<u>299,976</u>	<u>-</u>	<u>-</u>	<u>299,976</u>	<u>557,668</u>
Total other program expenses	<u>1,557,992</u>	<u>2,484,585</u>	<u>2,510</u>	<u>4,045,087</u>	<u>4,015,756</u>
Total expenses before depreciation	30,719,415	2,484,585	2,510	33,206,510	30,126,307
Depreciation of equipment	<u>85,773</u>	<u>13,623</u>	<u>-</u>	<u>99,396</u>	<u>73,553</u>
Total expenses (2009)	<u>\$30,805,188</u>	<u>\$2,498,208</u>	<u>\$ 2,510</u>	<u>\$33,305,906</u>	<u>\$30,199,860</u>