

World Vision



2005 Consolidated Financial Statements
World Vision Inc.

September 30, 2004 and 2005

Report of Independent Auditors

To the Board of Directors of World Vision Inc.

In our opinion, the accompanying consolidated statements of financial position and the related statements of activities and of cash flows present fairly, in all material respects, the financial position of World Vision Inc. and affiliates ("the Organization") at September 30, 2004 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary information included on the consolidated schedule of functional expenses for the year ended September 30, 2005 is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. The supplementary information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PricewaterhouseCoopers LLP

November 23, 2005

PricewaterhouseCoopers LLP
Seattle, Washington

Consolidated Statements of Financial Position

Assets	Notes	2004	2005
Cash and cash equivalents		\$5,000	\$2,426
Accounts receivable from the United States Agency for International Development (USAID)		16,102	17,091
Accounts, notes, and other receivables, net		11,131	13,188
Marketable securities	<i>note C</i>	6,676	8,387
Investments in pooled funds	<i>note D</i>	86,403	151,258
Donated real estate held as investment		2,072	171
Inventory, net	<i>note E</i>	41,390	32,296
Other assets		17,825	9,134
Fixed assets, net	<i>note F</i>	53,059	50,320
Assets held in trust		18,121	17,590

TOTAL ASSETS		\$257,779	\$301,861
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Liabilities and net assets	Notes	2004	2005
Liabilities:			
Accounts payable and accrued expenses		\$22,654	\$24,868
Due to World Vision International		58,726	67,646
Notes payable	<i>note G</i>	10,002	9,681
Obligations under capital lease	<i>note H</i>	497	450
Charitable gift annuities		3,559	3,414
Deferred revenue		17,603	15,994
Amounts held for others	<i>note I</i>	10,630	10,442
Total liabilities		123,671	132,495
Net assets:			
Unrestricted	<i>note J</i>	108,085	103,526
Temporarily restricted	<i>note J</i>	25,388	65,180
Permanently restricted	<i>note J</i>	635	660
Total net assets		134,108	169,366

TOTAL LIABILITIES AND NET ASSETS		\$257,779	\$301,861
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The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Activities

2004					
Notes	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Contributions and revenue					
Contributions, primarily private cash	\$21,708	\$274,894	\$ -	\$296,602	
Public cash and food commodity grants	note L 284,880	-	-	284,880	
Gifts-in-kind	note M 215,281	-	-	215,281	
Other income, net	9,216	864	-	10,080	
Net assets released due to expiration of time: split-interest agreements	913	(913)	-	-	
Net assets released due to satisfaction of program restrictions	283,554	(283,554)	-	-	
TOTAL CONTRIBUTIONS & REVENUE	815,552	(8,709)	-	806,843	
Expenses					
Program services					
Funding of World Vision International:					
Child sponsorship	134,554	-	-	134,554	
Relief and rehabilitation, community development, Christian impact, and leadership projects	254,254	-	-	254,254	
Gifts-in-kind	90,964	-	-	90,964	
Other international relief and development programs	161,381	-	-	161,381	
Domestic programs	54,384	-	-	54,384	
Public awareness and education	5,524	-	-	5,524	
Sponsorship programs	2,105	-	-	2,105	
Gifts to other ministries	5,720	-	-	5,720	
Total program services	708,886	-	-	708,886	
Supporting services					
Management and general	42,004	-	-	42,004	
Fundraising	62,727	-	-	62,727	
Total supporting services	104,731	-	-	104,731	
TOTAL EXPENSES	813,617	-	-	813,617	
CHANGE IN NET ASSETS	1,935	(8,709)	-	(6,774)	
Net assets at beginning of year	106,150	34,097	635	140,882	
NET ASSETS AT END OF YEAR	\$108,085	\$25,388	\$635	\$134,108	

The accompanying notes are an integral part of these consolidated financial statements.

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2005					
	Notes	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions and revenue					
Contributions, primarily private cash		\$36,251	\$373,798	\$25	\$410,074
Public cash and food commodity grants	note L	244,120	-	-	244,120
Gifts-in-kind	note M	237,781	-	-	237,781
Other income, net		12,179	976	-	13,155
Net assets released due to expiration of time: split-interest agreements		868	(868)	-	-
Net assets released due to satisfaction of program restrictions		334,114	(334,114)	-	-
TOTAL CONTRIBUTIONS & REVENUE		865,313	39,792	25	905,130
Expenses					
Program services					
Funding of World Vision International:					
Child sponsorship		147,105	-	-	147,105
Relief and rehabilitation, community development, Christian impact, and leadership projects		291,199	-	-	291,199
Gifts-in-kind		131,255	-	-	131,255
Other international relief and development programs		88,891	-	-	88,891
Domestic programs		79,589	-	-	79,589
Public awareness and education		6,202	-	-	6,202
Sponsorship programs		2,035	-	-	2,035
Gifts to other ministries		6,072	-	-	6,072
Total program services		752,348	-	-	752,348
Supporting services					
Management and general		43,964	-	-	43,964
Fundraising		73,560	-	-	73,560
Total supporting services		117,524	-	-	117,524
TOTAL EXPENSES		869,872	-	-	869,872
CHANGE IN NET ASSETS		(4,559)	39,792	25	35,258
Net assets at beginning of year		108,085	25,388	635	134,108
NET ASSETS AT END OF YEAR		\$103,526	\$65,180	\$660	\$169,366

Consolidated Statements of Cash Flows

Operating activities	2004	2005
Change in net assets	(\$6,774)	\$35,258
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Depreciation and amortization	5,792	6,874
Realized and unrealized gain on investments	(1,445)	(1,935)
Loss (gain) on sale of donated vehicles	2	(75)
Loss on disposal of equipment	-	4
Non-cash contributions	(6,560)	(12,323)
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable from USAID	(12,734)	(989)
Accounts and other receivables	282	(304)
Inventory, net	14,049	9,094
Other assets	(14,958)	10,602
Assets held in trust	2,020	531
Accounts payable and accrued expenses	2,636	2,214
Due to World Vision International	54,244	8,920
Charitable gift annuities	(497)	(145)
Deferred revenue	5,916	(1,609)
Amounts held for others	26	(188)
Net cash provided by operating activities	41,999	55,929
Investing activities		
Purchase of marketable securities	(1,504)	(4,650)
Proceeds from sale of marketable securities	5,524	10,345
Purchase of investment in pooled funds	(196,649)	(424,689)
Proceeds from sale of investment in pooled funds	163,525	362,236
Proceeds from sale of donated real estate held as investment	2,893	1,904
Acquisition of fixed assets	(16,662)	(3,932)
Proceeds from sale of fixed assets	1,029	-
Proceeds from sale of donated vehicles	744	777
(Increase) decrease in notes receivable	(218)	81
Net cash used in investing activities	(41,318)	(57,928)
Financing activities		
Principal payments on notes payable	(295)	(321)
Principal payment under capital leases	(322)	(254)
Net cash used in financing activities	(617)	(575)
Net increase (decrease) in cash and cash equivalents	64	(2,574)
Cash and cash equivalents at beginning of year	4,936	5,000
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$5,000	\$2,426
Cash paid during the year for interest	\$394	\$381

The accompanying notes are an integral part of these consolidated financial statements.

Note A—Organization and Operations

The consolidated financial statements include the accounts of World Vision Inc. and its wholly owned and controlled affiliates (collectively, “the Organization”): World Vision Foundation (“the Foundation”), World Vision Properties LLC (“WVPLL”), and Tower Business Park LLC (“TBPLL”). All intercompany transactions and accounts have been eliminated.

World Vision Inc. is a Christian relief and development organization dedicated to helping children and their communities worldwide reach their full potential by tackling the causes of poverty. World Vision Inc. provides emergency assistance to children and families affected by natural disasters and civil conflict, works with communities to develop long-term solutions to alleviate poverty, and advocates for justice on behalf of the poor. The majority of World Vision Inc. programs are carried out worldwide through World Vision International, a related entity. World Vision Inc. is organized as a nonprofit corporation under the laws of the State of California and is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions. Donors of cash and/or property are entitled to the maximum charitable contribution deduction allowed by law.

The Foundation is a trust established by World Vision Inc. in 2002 under the laws of the State of California, as a supporting organization. The Foundation is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding California provisions.

WVPLL is a single purpose entity organized by World Vision Inc. in 2002 under the laws of the District of Columbia for the purpose of holding legal title to the land and building in Washington, D.C. where World Vision has offices.

TBPLL is a single purpose entity created under the laws of the State of Oregon for the purpose of property development. On December 1, 2004, one hundred percent of the membership interest of TBPLL was contributed to World Vision Inc.

Note B—Summary of Significant Accounting Policies**Basis of Accounting:**

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates:

In preparing the Organization’s financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

Fair Value of Financial Instruments:

The carrying value of cash and cash equivalents, grants and other receivables, loan funds receivable and payable, and borrowings approximate fair value as of September 30, 2004 and 2005 due to the relatively short maturity of these instruments, with the exception of one note receivable.

The present value of the future cash flows of the note at September 30, 2004 and 2005 is \$4,431 and \$3,881, respectively. The corresponding reported value of the note was \$5,041 at September 30, 2004 and 2005. The note receivable has a corresponding note payable with the same terms.

Note B—Summary of Significant Accounting Policies, continued**Grant Revenue:**

Cash grant revenue is recognized in the period the Organization incurs reimbursable program expenditures. Food inventory and deferred revenue are generally recorded at their estimated fair value when the Organization receives title to the food. Food revenue granted for distribution is generally recognized when the commodities are delivered to the ultimate destination. Proceeds received on commodities that are monetized (sold) are recorded as prepaid funding and deferred revenue. Revenue is recognized on food granted for monetization when the proceeds are utilized for program activities. Federal grant revenue is subject to independent audit under Office of Management and Budget (“OMB”) Circular A-133 and review by the grantor. Based on prior experience and the results of prior OMB Circular A-133 audits, which have been completed through fiscal year 2004, the Organization’s management believes costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Contributions:

Unrestricted and restricted contributions are recorded as contributions and revenue when an unconditional promise to give has been made. Unconditional promises receivable are recognized at the estimated present value of future cash flows using the discount rate that approximates the risk free interest rate at September 30; 4.88% for 2004 and 4.57% for 2005. Unconditional promises receivable at September 30, 2004 and 2005 were \$3,697 and \$5,665, respectively. Conditional promises to give at September 30, 2004 and 2005 were estimated to be \$6,700 and \$10,800, respectively.

Other Income:

Other income consists primarily of annuity and investment revenue. Annuity payments to donors for the years ended September 30, 2004 and 2005, of \$660 and \$574, respectively, were offset against revenue, since this represents income to the donor rather than to the Organization.

Cash Equivalents:

Cash equivalents consist primarily of money market instruments with original maturities of three months or less at the date of acquisition.

Concentration of Credit Risk:

The Organization maintains demand deposits in a commercial bank that were in excess of Federal Deposit Insurance Corporation insurance limits at September 30, 2004 and 2005. The Organization performs an ongoing evaluation of the commercial bank to limit its concentration of credit risk exposure. Additionally, the Organization is exposed to credit loss for certain investments in the event of nonperformance by the other parties to the investment transactions. However, the Organization does not anticipate nonperformance by the counterparties.

Investments:

The investment goal of the Organization is to invest its assets in a manner that will achieve a total rate of return sufficient to replace the assets spent for programs and expenses and to recoup any value lost due to inflation. To achieve this goal, some investment risk must be taken. To minimize such risk, the Organization diversifies its investments among various financial instruments and asset categories, and uses multiple investment strategies and investment managers. All financial assets are held in custody for the Organization in proprietary accounts.

Note B—Summary of Significant Accounting Policies, continued**Investments, continued:**

The majority of the Organization's financial assets are invested in U.S. government securities, mutual funds, corporate bonds, and equity funds for which active trading markets exist. Such assets are valued based on quoted market prices. Investments in mutual fund shares are valued using net asset value per share. Investment transactions are recognized on a trade date basis. Realized gains and losses are calculated on the first-in, first-out method for financial statement reporting purposes. Realized gains and losses and unrealized changes in the fair value of investments are reflected in the consolidated statements of activities.

Charitable Gift Annuities:

These liabilities represent amounts payable under annuity agreements over various periods, generally the life of the donor. These are maintained in a separate and distinct fund.

Donor Advised Funds:

These net assets represent amounts available for distribution in Donor Advised Funds ("DAFs"). Assets of DAFs include the initial gift made in creating the fund, any subsequent property gifts made into the fund, and all income and other proceeds from the foregoing property. The DAFs are the property of the Organization and may be commingled with other funds held by it. The Organization has ultimate authority and control over all property in the DAFs. Donors typically recommend which organizations should receive grants from their fund. The Organization usually follows such recommendations, though it is not required to do so. DAFs are established only for charitable, religious, or educational purposes and are used for the support of charitable organizations whose purposes are not inconsistent with those of the Organization. The Organization recognizes income from DAFs when assets are contributed. All grants made to other organizations from DAFs are recorded as program expenses.

Assets Held in Trust:

The Organization acts as trustee, or has been named as successor trustee, for various revocable and irrevocable trusts. These trusts are governed by their respective written agreements, which provide for the assets to become the property of the Organization, in whole or in part, after the occurrence of specific events. The contribution portion of an agreement (that is, the part that represents the unconditional transfer of assets in a voluntary nonreciprocal transaction) is recognized as revenue or gain when the agreement is received. Accordingly, the assets of such trusts, where the Organization acts as trustee, are reflected in the accompanying consolidated financial statements of the Organization. The Organization discharges its fiduciary duties pursuant to these agreements under the direction of the Board of Directors and management. Generally, any trust assets held by the Organization are held in the name of the Organization as trustee for a particular trust.

The irrevocable and revocable trusts, where the Organization acts as trustee, are administered by State Street Bank and Trust Company. The Organization continues to act as trustee of these trusts and has named State Street Bank and Trust Company co-trustees to aid them in their administration. The Organization also is the trustee for the assets of its retirement plan. These assets are not the property of the Organization, in whole or in part, but rather belong wholly to the retirement plan (see Note N). Accordingly, the assets of the retirement plan are not reflected in the accompanying consolidated financial statements.

Note B—Summary of Significant Accounting Policies, continued**Gifts-in-Kind:**

Gifts-in-kind (“GIK”) received through private donations are recorded in accordance with industry standards, referred to as the *Interagency GIK Standards*, as developed by an interagency task force appointed by the Association of Evangelical Relief and Development Organizations (“AERDO”). Gifts-in-kind are valued and recorded as revenue at their estimated fair value as provided by the donor or, in the absence of donors’ valuations, at wholesale values estimated by the Organization, at the time the goods are received from the donor. The recognition of gifts-in-kind revenue is limited to donations where the Organization takes possession or constructive title of the gift-in-kind and either the Organization is the original recipient of the gift, is involved in partnership with the end-user agency, or the gift is used within World Vision Inc. or World Vision International programs.

Gifts-in-kind expense is recorded when the goods are distributed for program use. While it is the Organization’s policy to distribute gifts-in-kind as promptly as possible, gifts-in-kind undistributed at year end are recorded as inventory. The inventory is valued at wholesale values estimated by the Organization. The Organization believes that this approximates the lower of cost or market.

Property and Equipment:

Land, buildings, equipment, and computer software are recorded at cost when purchased and at estimated fair market value at the date of gift if donated. Depreciation of buildings, equipment, and computer software, including amortization of assets recorded under capital leases, is provided on a straight-line basis over the estimated useful lives of the respective assets, generally three to ten years for equipment, fifteen to forty years for buildings and building improvements, five to eight years for computer software, and over the life of the lease on capital leases.

The cost of repairs and maintenance and depreciation are charged to unrestricted net assets. Upon the sale or retirement of the property and equipment, the related cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in the consolidated statements of activities.

Property and equipment are reviewed for impairment whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. Impairment losses are recognized if expected future cash flows from the assets are less than their carrying values.

Volunteer Services:

The efforts of volunteer workers are not reflected in the accompanying consolidated financial statements, inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization.

Net Assets:

Permanently restricted net assets include only the historical dollar amounts of gifts, including pledges and trusts, which are required by donors to be permanently retained. Temporarily restricted net assets are comprised of gifts, including pledges and trusts, as well as income and gains that can be expended but for which restrictions have not yet been met. Such restrictions include purpose restrictions wherein donors have specified the purpose for which the net assets are to be spent or time restrictions imposed by donors or implied by the nature of the gift (e.g., capital projects, pledges to be paid in the future, and life-income funds).

Note B—Summary of Significant Accounting Policies, *continued*

Net Assets, *continued*:

Unrestricted net assets are all the remaining net assets of the Organization. The only limits on unrestricted net assets are broad limits resulting from the nature of the Organization and purposes specified in its articles of incorporation or bylaws and, perhaps, limits resulting from contractual agreements.

Joint Cost Allocation:

The costs of providing one program and other activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs of joint activities related to fundraising and public awareness and education have been allocated as indicated among the ministry and supporting services benefited.

Note C—Marketable Securities

The fair value of assets reported as marketable securities were as follows at September 30:

	2004	2005
Mutual funds	\$2,690	\$3,530
Government securities	2,117	1,899
Corporate bonds	1,234	1,874
Equity funds	635	1,084
	\$6,676	\$8,387

Net realized and unrealized gain of \$270 and loss of \$74 are included in other income for the years ended September 30, 2004 and 2005, respectively.

Note D—Investments in Pooled Funds

The Organization pools its investments to manage its cash needs and to maximize returns. Included in the pool are assets of the Organization's operating funds as well as certain revocable trusts, which the Organization holds in trust. The fair value of assets held in investment in pooled funds was as follows at September 30:

	2004	2005
Cash and cash equivalents	\$25,916	\$19,217
Notes receivable	3,937	2,755
Corporate bonds	7,429	5,005
Mortgage backed securities	20,855	85,527
Real Estate Investment Trusts	3,793	3,987
Equity funds	18,384	29,710
Other assets	6,089	5,057
	\$86,403	\$151,258

Notes to Consolidated Financial Statements

Note E—Inventory

Inventory, which is comprised of GIK, food commodities held for monetization, and food commodities received and ready for distribution, fluctuates primarily due to the timing of items received and distributed. Balances were as follows at September 30:

	2004	2005
GIK inventory	\$46,637	\$26,891
Food held for monetization	752	3,547
Food ready for distribution	-	5,225
	47,389	35,663
Provision for GIK obsolescence	(5,999)	(3,367)
	\$41,390	\$32,296

Note F—Fixed Assets

Fixed assets were comprised of the following at September 30:

	2004	2005
Land	\$3,358	\$3,358
Buildings	20,566	21,514
Equipment	25,475	27,677
Computer software	29,918	30,574
	79,317	83,123
Less accumulated depreciation and amortization	(26,258)	(32,803)
	\$53,059	\$50,320

Depreciation and amortization expense for the years ended September 30, 2004 and 2005 was \$5,792 and \$6,874, respectively.

Note G—Notes Payable

	2004	2005
8.50% note, interest and principal due quarterly, due 2007	\$549	\$395
8.36% note, interest and principal due quarterly, due 2009	2,282	2,235
4.50% note, interest due quarterly until 2008, due 2010	1,000	1,000
7.50% note, interest and principal due quarterly, due 2012	1,130	1,010
7.07% note, interest only, due 2013	5,041	5,041
	\$10,002	\$9,681

Note G—Notes Payable, continued

Debt maturity	
2006	\$347
2007	424
2008	335
2009	727
2010	622
Thereafter	7,226
	\$9,681

Note H—Obligations Under Capital Lease

The Organization has commitments related to operating leases for building facilities and equipment and capital leases for office furniture and donation processing equipment at September 30, 2004 and 2005. All capital and operating leases are noncancellable and expire on various dates by 2010.

Future minimum lease payments under noncancellable capital and operating leases with initial or remaining terms of one year or more at September 30, 2005 are as follows:

Year ending September 30	Operating Leases	Capital Leases
2006	\$4,342	\$304
2007	1,351	113
2008	1,020	39
2009	332	4
2010	-	3
	\$7,045	463
Less amount representing interest		(13)
Net present value of future minimum lease payments		\$450

Obligations under capital leases are on notes bearing interest at a rate of approximately 2.78%. Lease and rent expense for the years ended September 30, 2004 and 2005 were \$1,918 and \$2,164, respectively. The net book value of assets under capital leases was \$483 and \$450 at September 30, 2004 and 2005, respectively.

Note I—Amounts Held for Others

These liabilities represent the exchange portion of irrevocable split-interest agreements (usually an agreement to pay an annuity to the donor) and refundable advances of revocable agreements (usually the fair value of assets held in trust). The amounts held belong to various funds held in trust by the Organization and were as follows at September 30:

	2004	2005
Exchange portion of charitable lead trusts, charitable remainder trusts, and life estates	\$10,392	\$10,222
Refundable advances of revocable trusts and missions agreements	238	220
	\$10,630	\$10,442

Notes to Consolidated Financial Statements

Note J—Net Assets

Unrestricted net assets are designated for the following purposes at September 30:

	2004	2005
Undesignated	(\$1,430)	(\$74)
Represented by DAFs	19,519	32,723
Represented by charitable gift annuities	756	1,123
Represented by land, buildings, equipment, computer software, and undistributed GIK contributions	89,240	69,754
	\$108,085	\$103,526

Temporarily restricted net assets are available for the following purposes at September 30:

	2004	2005
Child sponsorship and childcare ministries	\$1,146	\$3,690
Relief and rehabilitation, community development, Christian impact, and leadership projects	12,079	41,285
Domestic programs	1,364	7,643
Term endowments, the income from which is expendable to support World Vision programs	917	968
Split-interest agreements, the income from which is unrestricted upon the expiration of certain time restrictions	9,882	11,594
	\$25,388	\$65,180

Permanently restricted net assets are restricted to endowments invested in perpetuity, the income from which is expendable to support World Vision programs.

Note K—Line of Credit

The Organization maintains a line of credit with their primary banking relationship that allows for borrowings up to one million dollars at the interest rate of prime (6.75% at September 30, 2005) or LIBOR plus 1.25% (5.11% at September 30, 2005). The line of credit is revolving and funds borrowed are to be used for short-term operating cash needs. The Organization had no outstanding balances against the line of credit at September 30, 2004 and 2005. As of September 30, 2005 the Organization is in compliance with all bank covenants.

Note L—Public Cash and Food Commodity Grants

Cash grants are received primarily through United States government agencies to further the exempt purpose of the Organization. Food commodity grants are received primarily from the United States Agency for International Development's ("USAID's") Office of Food for Peace. Such goods are valued using guidelines published by the United States Department of Agriculture and USAID. Food commodities are either distributed directly to beneficiaries or monetized into cash, which is used to fund international relief and development programs.

Note L—Public Cash and Food Commodity Grants, continued

Cash and food commodity grant revenues are as follows for the years ended September 30:

Cash grants	2004	2005
Cash awards from USAID	\$78,553	\$81,883
Cash awards from other agencies	8,302	14,720
Total cash grants	86,855	96,603
Food monetization grants		
Cash and freight awards from USAID	40,511	35,977
Cash and freight awards from other agencies	812	1,547
Total food monetization grants	41,323	37,524
Food distribution grants		
Food commodities from USAID	82,104	31,734
Food commodities from other agencies	25,146	49,621
Cash freight awards from USAID	44,236	19,202
Cash freight awards from other agencies	5,216	9,436
Total food distribution grants	156,702	109,993
TOTAL CASH & FOOD COMMODITY GRANTS	\$284,880	\$244,120

Note M—Gifts-in-Kind Revenue

	2004	2005
World Vision programs	\$123,614	\$181,064
Other nonprofit organizations	100,135	73,816
World Vision internal use	-	15
Total GIK distributions	223,749	254,895
Decrease in GIK inventory available for distribution	(8,468)	(17,114)
	\$215,281	\$237,781

Note N—Retirement Plan

The Organization has a noncontributory Cash Balance Retirement Plan (“the Plan”) covering substantially all regular employees. Under the Plan, the Organization will add an annual pay credit and interest credit to a participant’s account each December. The annual pay credit is based on a participant’s pay and age. The annual interest credit is determined by multiplying a participant’s previous year account balance by the interest rate. The interest rate is set each November for the following year, and the amount will be the higher of the 30-year Treasury rate or another rate adopted by the Organization. The amount of employer contributions is determined based on actuarial valuations and recommendations as to the amounts required to fund benefits under this Plan. In 1989, the Organization began acting as trustee of the assets of the Plans for the Organization and World Vision International. The assets of the Plan are held in trust by the Organization.

Notes to Consolidated Financial Statements

Note N—Retirement Plan, continued

The following table sets forth the actuarial assumptions related to the Plan. Assumptions as of June 30:

	2004	2005
Discount rate	6.50%	6.50%
Expected return on Plan assets	7.00%	7.00%
Rate of compensation increase	5.50%	5.00%

The following table provides a reconciliation of benefit obligations, plan assets and funded status of the Plan for the years ended September 30, 2004 and 2005. The measurement date for the information included in the following table is June 30:

	2004		2005	
	World Vision Inc.	Total Plan	World Vision Inc.	Total Plan
Change in benefit obligations				
Benefit obligations at beginning of year	\$30,740	\$45,717	\$34,977	\$53,204
Service cost	2,015	2,870	2,553	3,616
Interest cost	1,596	2,844	1,857	3,302
Changes in assumptions	2,200	3,346	1,515	2,287
Actuarial (gain) loss	(492)	506	(537)	(655)
Benefits paid	(1,082)	(2,079)	(1,634)	(3,301)
Benefit obligations at end of year	\$34,977	\$53,204	\$38,731	\$58,453
Change in plan assets				
Plan assets at fair value at beginning of year	\$23,937	\$35,598	\$29,922	\$45,515
Actual return on plan assets	3,767	6,496	4,494	6,862
Employer contributions	3,300	5,500	2,532	4,220
Benefits paid	(1,082)	(2,079)	(1,634)	(3,301)
Plan assets at fair value at end of year	\$29,922	\$45,515	\$35,314	\$53,296
Reconciliation of funded status at end of year				
Funded status of the Plan	(\$5,054)	(\$7,689)	(\$3,417)	(\$5,156)
Unrecognizable net actuarial loss	5,706	8,659	3,879	6,233
Unrecognizable prior service cost	(96)	(151)	(55)	(84)
Prepaid benefit cost	\$556	\$819	\$407	\$993

Note N—Retirement Plan, continued

Net periodic pension cost for the Plan includes the following components for the years ended September 30:

	2004		2005	
	World Vision Inc.	Total Plan	World Vision Inc.	Total Plan
Service cost	\$2,015	\$2,870	\$2,553	\$3,616
Interest cost	1,596	2,844	1,857	3,302
Expected return on Plan assets	(1,441)	(2,460)	(1,899)	(3,154)
Amortization of prior service cost	(39)	(67)	(40)	(67)
Recognized actuarial loss	292	499	210	349
	\$2,423	\$3,686	\$2,681	\$4,046

World Vision employs an asset allocation investment strategy designed to achieve a diversified portfolio mix that will maximize return while minimizing risk. The objective is to maintain a moderate risk profile; the Plan does not employ leverage and is prohibited by board policy from investing in derivative financial instruments.

Plan Assets

The Plan asset allocations by asset category are as follows at September 30:

	2004	2005
Mutual Funds	78.2%	79.2%
Equity funds	9.9%	10.2%
Notes receivable	7.9%	5.2%
Real Estate Investment Trusts	2.2%	2.3%
Other assets	0.7%	2.0%
Corporate bonds	1.0%	0.8%
Cash and cash equivalents	0.1%	0.3%
	100.0%	100.0%

Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	World Vision Inc.	Total Plan
2005-06	\$3,161	\$5,269
2006-07	2,588	4,314
2007-08	2,849	4,748
2008-09	2,948	4,913
2009-10	2,636	4,393
Thereafter	18,049	30,082
	\$32,231	\$53,719

Supplemental Schedule: Consolidated Schedule of Functional Expenses

	2005 Program Services				
	International Programs	Domestic Programs	Public Awareness & Education	Sponsorship Programs	Total Program Services
Funding of World Vision International and U.S. domestic programs:					
Child sponsorship	\$147,105	\$ -	\$ -	\$ -	\$147,105
Relief and rehabilitation, community development, Christian impact, and leadership projects	277,389	3,336	-	-	280,725
Gifts-in-kind	131,255	66,415	-	-	197,670
Other international relief and development programs	86,968	-	-	-	86,968
Gifts to other ministries	-	6,072	-	-	6,072
Salaries and benefits	10,140	5,486	2,886	1,429	19,941
Professional services	1,010	537	988	1	2,536
Media and advertising	257	60	782	-	1,099
Freight and postage	68	57	179	136	440
Printing	17	48	291	-	356
Travel	1,898	767	382	70	3,117
Telephone and communication	294	242	77	25	638
Occupancy	550	1,666	155	238	2,609
Supplies	272	446	280	31	1,029
Equipment	167	107	55	36	365
Repairs and maintenance	44	106	13	7	170
Interest	84	33	10	10	137
Depreciation	690	261	74	52	1,077
Other	242	22	30	-	294
TOTALS	\$658,450	\$85,661	\$6,202	\$2,035	\$752,348

<i>continued . . .</i>	2005 Supporting Services			Totals	
	Management & General	Fundraising	Total Supporting Services	2005	2004
Funding of World Vision International and U.S. domestic programs:					
Child sponsorship	\$ -	\$ -	\$ -	\$147,105	\$134,554
Relief and rehabilitation, community development, Christian impact, and leadership projects	-	-	-	280,725	250,334
Gifts-in-kind	-	-	-	197,670	132,507
Other international relief and development programs	-	-	-	86,968	155,471
Gifts to other ministries	-	-	-	6,072	5,720
Salaries and benefits	24,141	24,781	48,922	68,863	59,921
Professional services	3,008	7,881	10,889	13,425	16,405
Media and advertising	741	17,644	18,385	19,484	14,042
Freight and postage	393	6,391	6,784	7,224	6,834
Printing	229	9,409	9,638	9,994	7,898
Travel	1,190	2,799	3,989	7,106	7,432
Telephone and communication	384	689	1,073	1,711	1,769
Occupancy	1,662	1,886	3,548	6,157	5,409
Supplies	455	705	1,160	2,189	1,732
Equipment	545	303	848	1,213	1,397
Repairs and maintenance	2,053	124	2,177	2,347	1,749
Interest	131	113	244	381	394
Depreciation	5,134	663	5,797	6,874	5,792
Other	3,898	172	4,070	4,364	4,257
TOTALS	\$43,964	\$73,560	\$117,524	\$869,872	\$813,617

World Vision

Building a better world for children



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World Vision is a Christian relief and development organization dedicated to helping children and their communities worldwide reach their full potential by tackling the causes of poverty. We serve the world's poor—regardless of a person's religion, race, ethnicity, or gender.

