

## Letter from the CFO

Financial Assessment of 2011 and Outlook for 2012

Larry Probus  
Chief Financial Officer

### 2011 financial results

World Vision was again blessed with very positive financial results in fiscal 2011. Total revenue for the year rose 2% to \$1,058 million. Private cash donations, our most important measure of financial health, increased 5% in 2011 to \$556 million. Adjusted for non-recurring donations for disaster relief (Haiti earthquake in fiscal 2010; Japan earthquake/tsunami and Horn of Africa drought in fiscal 2011), private cash donations grew at a healthy 9% rate. In addition to solid growth for our core child sponsorship program, we were blessed with a 44% increase in major gifts, which reached a record \$64 million in 2011.

Public grants (primarily from the U.S. government) declined \$42 million in 2011, reflecting a tight fiscal environment for federal agencies as well as the completion of several large, multi-year grants. However, gifts-in-kind from corporations increased \$40 million, with major product donations coming from more than 100 organizations. Other income (primarily from investments) was \$12 million, down from 2010 income of \$21 million due to lower interest rates and investment values.

Fundraising, management, and general expenses (sometimes called *overhead*) increased less than 1% in 2011. Our overhead rate (overhead expenses as a percent of total revenue) improved slightly from 14.5% to 14.4%.

Summary Financial Results (\$ millions)	Fiscal 2010	Fiscal 2011	% Change
<b>Revenue:</b>			
Private Cash	\$528	\$556	5%
Public Grants (primarily U.S. government)	241	199	-18%
Gifts-in-Kind	251	291	16%
Other	21	12	-39%
<b>Total Revenue</b>	<b>\$1,041</b>	<b>\$1,058</b>	<b>2%</b>
<b>Fundraising, management &amp; general expenses</b>	<b>\$151</b>	<b>\$152</b>	<b>1%</b>
<b>Overhead Rate</b>	<b>14.5%</b>	<b>14.4%</b>	

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Unrestricted net assets for World Vision U.S. declined \$19 million during the year, reflecting a drop in government reimbursement for expenses, increased pension liability, and a decision to expand World Vision's capacity for providing access to clean water in Africa. World Vision more than doubled its provision for water, sanitation, and hygiene (WASH) to Africa in fiscal 2011, including a sizable investment in drilling rigs and people with technical expertise. The organization invested approximately \$4 million more than we received in cash for WASH in 2011, based on the urgent need and positive indications for funding support in 2012.

World Vision's objective is to balance our need for financial liquidity with the imperative of distributing maximum funds to mission as quickly as possible. World Vision U.S. remains financially strong, with sufficient liquid assets to discharge ongoing ministry commitments and other obligations. Our investment strategy for long-term assets (primarily pensions, donor advised funds, and endowments) would generally be considered a conservative one.

An accounting issue that has recently affected virtually every U.S. organization receiving donated goods has been the methodology for valuing gifts-in-kind, particularly pharmaceuticals. New accounting rules, designed primarily for financial instruments, have also clarified how to determine the fair market value of non-cash donations. Certain donated pharmaceuticals that had previously been valued by reference to U.S. wholesale prices are now being referenced to wholesale prices in countries representing principal markets for those products (which tend to be lower than U.S. prices). As a result, World Vision (and virtually every other U.S. organization receiving donated pharmaceutical goods) lowered the value assigned to such products. In World Vision's case, this adjustment was made in fiscal 2010, so comparisons with 2011 are on a comparable basis.

## **Looking forward**

As we consider fiscal 2012 and beyond, the world's economic outlook is more volatile than at perhaps any other time since World Vision was founded over 60 years ago. Nevertheless, we continue to feel God's hand firmly fixed on our work, and can see how He has used a time of challenge to make us an even more effective organization.

During the critical first quarter of fiscal 2012 (the three months ended December 2011), our donors generously supported World Vision's ministry, increasing their cash contributions compared to the same quarter one year ago. While World Vision's revenue has clearly been affected by the global economic storm, we are thankful that our donors continue to give faithfully. We are targeting revenue growth of 6-8% in fiscal 2012, expanding the number of children and families we help.

As we plan for the next two to three years, our focus includes the following key objectives:

- Continue to improve the well-being of children in our sponsorship communities
- Measure and report on the effectiveness of our work
- Improve communication to current and prospective donors through new technology and improved processes

Above all, we continue to pray, acknowledging our dependence on God as we steadfastly minister to those He has called us to serve.

## **Financial accountability and stewardship**

World Vision adheres to the highest standards of financial stewardship—because we understand that the resources we receive are a sacred trust from God, through our donors, on behalf of those we serve.

We believe that a charity must be judged on both its *efficiency* of stewarding funds and, even more importantly, on its *effectiveness* in accomplishing its mission. We constantly monitor and evaluate World Vision's programs to determine how the lives of children are being improved—including measures of child well-being such as access to clean water, health and nutrition levels, and educational achievement. Our effectiveness has earned the trust and support of more than 1 million donors, thousands of churches, and hundreds of corporations, institutions, and government agencies around the globe.

We continually strive to improve our efficiency, in part by keeping U.S. fundraising, management, and general expenses to a minimum. In fiscal year 2011, 86 percent of our total revenue was used for programs that benefit children, families, and communities in need.

World Vision is able to multiply cash donations by adding non-cash gifts (gifts-in-kind and food resources) to sponsorship programs and other community activities funded with cash gifts. Each dollar of cash donated to World Vision yields more than a dollar of value for the communities we serve, even after factoring in fundraising and administrative costs. If you'd like to learn more about World Vision's economics of mission, please see the video on financial stewardship located on our website under the tab for [Financial Accountability](#).



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