



Building a better world for children

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World Vision is a Christian humanitarian organization dedicated to working with children, families, and their communities worldwide to reach their full potential by tackling the causes of poverty and injustice. We serve all people, regardless of religion, race, ethnicity, or gender.



*A higher standard.
A higher purpose.*



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World Vision®

Building a better world for children

Consolidated Financial Statements
World Vision, Inc. and Affiliates

September 30, 2007 and 2008

Report of Independent Auditors



KPMG LLP
Suite 900
801 Second Avenue
Seattle, WA 98104

Independent Auditors' Report

The Board of Directors
World Vision, Inc.:

We have audited the accompanying consolidated statements of financial position of World Vision, Inc. and affiliates ("the Organization") as of September 30, 2007 and 2008, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. 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 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Vision, Inc. and affiliates as of September 30, 2007 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in notes B and N to the consolidated financial statements, the Organization adopted the recognition and disclosure provisions of Statement of Financial and Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, as of September 30, 2007.

KPMG LLP

December 12, 2008

Assets	Notes	2007	2008
Cash and cash equivalents		\$3,767	\$7,992
Accounts receivable from the United States Agency for International Development (USAID)		13,963	22,361
Accounts, notes, and other receivables, net		5,126	2,866
Marketable securities	note C	10,710	13,798
Investments in pooled funds	note D	171,985	126,251
Real estate held as investment		914	914
Inventory, net	note E	90,845	82,155
Other assets		11,340	5,741
Prepaid funding		9,202	7,830
Fixed assets, net	note F	45,647	67,589
Charitable trusts receivable		5,727	5,652
Assets held in trust		16,855	14,509

TOTAL ASSETS		\$386,081	\$357,658
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Liabilities and net assets	Notes	2007	2008
Liabilities:			
Accounts payable and accrued expenses		\$35,416	\$34,798
Due to World Vision International		114,341	130,611
Notes payable	note G	8,910	8,575
Charitable gift annuities		3,806	4,023
Deferred revenue		61,598	43,942
Amounts held for others	note I	10,607	9,371
Total liabilities		234,678	231,320
Net assets:			
Unrestricted	note J	105,785	76,977
Temporarily restricted	note J	41,530	44,937
Permanently restricted	note J	4,088	4,424

Total net assets		151,403	126,338
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TOTAL LIABILITIES AND NET ASSETS		\$386,081	\$357,658
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See accompanying notes to these consolidated financial statements.

Consolidated Statements of Activities

2007					
	Notes	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support and revenue					
Contributions, primarily private cash		\$32,806	\$393,848	\$425	\$427,079
Public cash and food commodity grants	note K	220,171	-	-	220,171
Gifts-in-kind	note L	301,226	-	-	301,226
Other income, net		9,491	(851)	-	8,640
Net assets released due to expiration of time: split-interest agreements		423	(423)	-	-
Net assets released due to satisfaction of program restrictions		395,528	(395,528)	-	-
TOTAL SUPPORT & REVENUE		959,645	(2,954)	425	957,116
Operating expenses					
Program services					
Funding of World Vision International:					
Child sponsorship		185,196	-	-	185,196
Relief and rehabilitation, community development, and Christian impact and leadership projects		288,391	-	-	288,391
Gifts-in-kind		166,027	-	-	166,027
Other international relief and development programs		113,241	-	-	113,241
Domestic programs		70,063	-	-	70,063
Public awareness and education		7,362	-	-	7,362
Sponsorship programs		2,391	-	-	2,391
Gifts to other ministries		6,062	-	-	6,062
Total program services		838,733	-	-	838,733
Supporting services					
Management and general		49,966	-	-	49,966
Fundraising		88,127	-	-	88,127
Total supporting services		138,093	-	-	138,093
TOTAL OPERATING EXPENSES		976,826	-	-	976,826
Change in net assets before the pension plan adjustment and effect of adoption of SFAS 158		(17,181)	(2,954)	425	(19,710)
Pension plan adjustment					
Effect of adoption of recognition provision of SFAS 158		4,171	-	-	4,171
CHANGE IN NET ASSETS		(13,010)	(2,954)	425	(15,539)
Net assets at beginning of year		118,795	44,484	3,663	166,942
NET ASSETS AT END OF YEAR		\$105,785	\$41,530	\$4,088	\$151,403

See accompanying notes to these consolidated financial statements.

2008					
Notes	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<i>continued . . .</i>					
Support and revenue					
Contributions, primarily private cash	\$34,154	\$433,260	\$336	\$467,750	
Public cash and food commodity grants	280,590	-	-	280,590	
Gifts-in-kind	366,009	-	-	366,009	
Other income, net	(7,426)	1,941	-	(5,485)	
Net assets released due to expiration of time: split-interest agreements	567	(567)	-	-	
Net assets released due to satisfaction of program restrictions	431,227	(431,227)	-	-	
TOTAL SUPPORT & REVENUE	1,105,121	3,407	336	1,108,864	
Operating expenses					
Program services					
Funding of World Vision International:					
Child sponsorship	208,360	-	-	208,360	
Relief and rehabilitation, community development, and Christian impact and leadership projects	314,597	-	-	314,597	
Gifts-in-kind	219,336	-	-	219,336	
Other international relief and development programs	132,647	-	-	132,647	
Domestic programs	88,177	-	-	88,177	
Public awareness and education	7,647	-	-	7,647	
Sponsorship programs	3,963	-	-	3,963	
Gifts to other ministries	4,425	-	-	4,425	
Total program services	979,152	-	-	979,152	
Supporting services					
Management and general	52,574	-	-	52,574	
Fundraising	96,625	-	-	96,625	
Total supporting services	149,199	-	-	149,199	
TOTAL OPERATING EXPENSES	1,128,351	-	-	1,128,351	
Change in net assets before the pension plan adjustment and effect of adoption of SFAS 158	(23,230)	3,407	336	(19,487)	
Pension plan adjustment	(5,578)	-	-	(5,578)	
Effect of adoption of recognition provision of SFAS 158					
CHANGE IN NET ASSETS	(28,808)	3,407	336	(25,065)	
Net assets at beginning of year	105,785	41,530	4,088	151,403	
NET ASSETS AT END OF YEAR	\$76,977	\$44,937	\$4,424	\$126,338	

Consolidated Statement of Functional Expenses

	2007 Program Services				
	International Programs	Domestic Programs	Public Awareness and Education	Sponsorship Programs	Total Program Services
Funding of World Vision International and U.S. domestic programs:					
Child sponsorship	\$185,196	\$ -	\$ -	\$ -	\$185,196
Relief and rehabilitation, community development, and Christian impact and leadership projects	274,549	1,652	-	-	276,201
Gifts-in-kind	166,027	53,502	-	-	219,529
Other international relief and development programs	110,446	-	-	-	110,446
Gifts to other ministries	-	6,062	-	-	6,062
Salaries and benefits	11,593	8,946	3,658	1,745	25,942
Professional services	975	701	1,102	76	2,854
Media and advertising	72	43	1,060	2	1,177
Freight and postage	49	58	129	124	360
Printing	14	50	225	8	297
Travel	1,957	1,032	493	11	3,493
Telephone and communication	295	278	65	22	660
Occupancy	690	2,474	225	330	3,719
Supplies	244	771	248	16	1,279
Equipment	126	147	42	11	326
Repairs and maintenance	82	137	10	7	236
Interest	34	-	-	-	34
Depreciation	239	224	16	39	518
Other	267	48	89	-	404
TOTALS	\$752,855	\$76,125	\$7,362	\$2,391	\$838,733

See accompanying notes to these consolidated financial statements.

continued . . .	2007 Supporting Services			Totals
	Management and General	Fundraising	Total Supporting Services	2007
Funding of World Vision International and U.S. domestic programs:				
Child sponsorship	\$ -	\$ -	\$ -	\$185,196
Relief and rehabilitation, community development, and Christian impact and leadership projects	-	-	-	276,201
Gifts-in-kind	-	-	-	219,529
Other international relief and development programs	-	-	-	110,446
Gifts to other ministries	-	-	-	6,062
Salaries and benefits	26,530	32,786	59,316	85,258
Professional services	5,479	11,835	17,314	20,168
Media and advertising	393	18,632	19,025	20,202
Freight and postage	340	6,608	6,948	7,308
Printing	215	8,974	9,189	9,486
Travel	1,445	3,706	5,151	8,644
Telephone and communication	523	612	1,135	1,795
Occupancy	1,883	2,746	4,629	8,348
Supplies	480	1,006	1,486	2,765
Equipment	492	476	968	1,294
Repairs and maintenance	1,911	188	2,099	2,335
Interest	265	1	266	300
Depreciation	5,755	431	6,186	6,704
Other	4,255	126	4,381	4,785
TOTALS	\$49,966	\$88,127	\$138,093	\$976,826

Consolidated Statement of Functional Expenses

	2008 Program Services				
	International Programs	Domestic Programs	Public Awareness and Education	Sponsorship Programs	Total Program Services
Funding of World Vision International and U.S. domestic programs:					
Child sponsorship	\$208,360	\$ -	\$ -	\$ -	\$208,360
Relief and rehabilitation, community development, and Christian impact and leadership projects	299,453	1,781	-	-	301,234
Gifts-in-kind	219,336	72,194	-	-	291,530
Other international relief and development programs	126,234	-	-	-	126,234
Gifts to other ministries	-	4,425	-	-	4,425
Salaries and benefits	13,983	9,972	4,033	2,805	30,793
Professional services	1,063	484	1,243	159	2,949
Media and advertising	410	56	787	14	1,267
Freight and postage	58	64	135	381	638
Printing	32	78	327	10	447
Travel	1,939	986	502	95	3,522
Telephone and communication	376	359	85	40	860
Occupancy	2,756	776	226	302	4,060
Supplies	193	805	186	61	1,245
Equipment	80	257	42	10	389
Repairs and maintenance	476	85	5	8	574
Interest	36	-	-	-	36
Depreciation	131	266	24	78	499
Other	24	14	52	-	90
TOTALS	\$874,940	\$92,602	\$7,647	\$3,963	\$979,152

See accompanying notes to these consolidated financial statements.

continued . . .	2008 Supporting Services			Totals
	Management and General	Fundraising	Total Supporting Services	2008
Funding of World Vision International and U.S. domestic programs:				
Child sponsorship	\$ -	\$ -	\$ -	\$208,360
Relief and rehabilitation, community development, and Christian impact and leadership projects	-	-	-	301,234
Gifts-in-kind	-	-	-	291,530
Other international relief and development programs	-	-	-	126,234
Gifts to other ministries	-	-	-	4,425
Salaries and benefits	27,225	39,163	66,388	97,181
Professional services	4,551	15,751	20,302	23,251
Media and advertising	507	15,485	15,992	17,259
Freight and postage	487	7,756	8,243	8,881
Printing	313	9,469	9,782	10,229
Travel	1,427	3,888	5,315	8,837
Telephone and communication	598	866	1,464	2,324
Occupancy	2,132	2,636	4,768	8,828
Supplies	590	749	1,339	2,584
Equipment	802	280	1,082	1,471
Repairs and maintenance	2,257	192	2,449	3,023
Interest	241	5	246	282
Depreciation	6,894	336	7,230	7,729
Other	4,550	49	4,599	4,689
TOTALS	\$52,574	\$96,625	\$149,199	\$1,128,351

Consolidated Statements of Cash Flows

Operating activities	2007	2008
Change in net assets	\$(15,539)	\$(25,065)
<i>Adjustments to reconcile change in net assets to net cash provided by operating activities:</i>		
Pension plan adjustment		5,578
Effect of adoption of recognition provision of SFAS 158	(4,171)	-
Depreciation and amortization	6,704	7,729
Realized and unrealized loss on investments	2,902	19,333
Loss on sale of donated vehicles	21	1
Loss on disposal of equipment	456	415
Non-cash contributions	(8,722)	(11,408)
Non-cash (increase)/decrease in inventory, net	(30,336)	8,690
Contributions restricted for investment in endowment	(425)	(336)
<i>Changes in operating assets and liabilities:</i>		
Accounts receivable from USAID	1,686	(8,398)
Accounts and other receivables	(3,196)	2,140
Other assets	(2,348)	20
Prepaid funding	(1,155)	1,372
Charitable trusts receivable	3,038	1,152
Assets held in trust	(360)	2,346
Accounts payable and accrued expenses	9,038	(618)
Due to World Vision International	16,784	16,270
Charitable gift annuities	101	217
Deferred revenue	40,265	(17,656)
Amounts held for others	354	(1,236)
Net cash provided by operating activities	15,097	546
Investing activities		
Purchase of marketable securities	(1,691)	(694)
Proceeds from sale of marketable securities	8,063	6,217
Purchase of investment in pooled funds	(384,872)	(280,855)
Proceeds from sale of investment in pooled funds	368,817	308,976
Proceeds from sale of donated real estate held as investment	134	-
Acquisition of real estate held as investment	(161)	-
Acquisition of fixed assets	(4,857)	(30,098)
Proceeds from sale of equipment	87	12
Proceeds from sale of donated vehicles	13	-
Principal collected on notes receivable	15	410
Advances on new notes receivable	(11)	(290)
Net cash (used in)/provided by investing activities	(14,463)	3,678
Financing activities		
Proceeds from contributions restricted for investment in endowment	425	336
Proceeds from note payable	-	141
Principal payments on notes payable	(424)	(476)
Net cash provided by financing activities	1	1
Net increase in cash and cash equivalents	635	4,225
Cash and cash equivalents at beginning of year	3,132	3,767
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$3,767	\$7,992
Cash paid during the year for interest	\$300	\$282

See accompanying notes to 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 (“Foundation”), World Vision Properties LLC (“WVPLLC”), World Vision Real Properties LLC (“WVRPLLC”), and Tower Business Park LLC (“TBPLLC”). All intercompany transactions and accounts have been eliminated.

World Vision is a Christian humanitarian organization dedicated to helping children, families, and their communities worldwide to reach their full potential by tackling the causes of poverty and injustice. World Vision provides emergency and hunger relief, long-term community development programs, agricultural development assistance, and leadership training. The Organization also educates the public on poverty- and justice-related issues and advocates on behalf of the poor and children in crisis. World Vision serves all people, regardless of religion, race, ethnicity, or gender. In many communities, World Vision’s work is carried out with local partners, including development groups and churches. 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.

WVPLLC 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.

WVRPLLC is a single-purpose entity organized by World Vision, Inc. in 2007 under the laws of the State of Nevada for the purpose of holding legal title to donated real estate.

TBPLLC is a single-purpose entity created under the laws of the State of Oregon for the purpose of property development. On December 1, 2003, one hundred percent of the membership interest of TBPLLC 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 U.S. generally accepted accounting principles.

Use of Estimates:

In preparing the Organization’s consolidated 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, 2007 and 2008, 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, 2007 and 2008 was \$4,508 and \$3,593, respectively. The corresponding reported principal balance of the note was \$5,041 at September 30, 2007 and 2008. The note receivable has a corresponding note payable with the same terms.

Cash Equivalents:

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

Note B—Summary of Significant Accounting Policies, continued**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, 2007 and 2008. 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 other parties.

Accounts, Notes, and Other Receivables:

Accounts, notes, and other receivables consist of trade receivables, notes receivable, pledges receivable, and charitable trusts. Trade receivables, primarily grant receivables, are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by identifying troubled accounts, considering the debtor's financial condition and current economic conditions, and using historical experience applied to an aging of the trade receivables. Trade receivables are expensed when deemed uncollectible. Recoveries of trade receivables previously expensed are recorded when received.

Notes receivable are carried at their current balance, less an allowance for uncollectible accounts. The allowance for uncollectible accounts for the years ended September 30, 2007 and 2008 was \$0 and \$140, respectively. Interest is accrued monthly, based on the rate stated in the note. Interest is accrued on notes receivable unless receivables are deemed uncollectible.

Pledges receivable are unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free rate applicable to the year in which the promise is received. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investments:

The investment goal of the organization is to invest its assets in a manner that will achieve a total rate of return that exceeds the rate of inflation and meets or exceeds the investment return objectives of World Vision, Inc. funds and reserves. These funds include those designated for various purposes such as working capital, endowments, donor advised funds, and others. 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 propriety accounts.

The majority of the Organization's financial assets are invested in U.S. government securities, mutual funds, corporate bonds, and equities for which active trading markets exist. All debt and marketable equity securities are valued at fair value. Investments in mutual fund shares are valued using net asset value per share. Investment transactions are recognized on a trade date basis.

Donor Advised Funds and Designated Funds:

These assets represent amounts available for distribution in Donor Advised Funds and Designated Funds ("the Funds"). The Funds 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. Assets of the Funds include the initial gift made in creating the fund, any subsequent property gifts made into the Funds, and all income and other proceeds from the foregoing property. The Organization recognizes income to the Funds when assets are contributed. The Funds 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 Funds. Grants from the Funds are initiated differently for Donor Advised Funds and Designated Funds. For Donor Advised Funds, donors typically recommend which other organizations should receive grants from their Donor Advised Fund.

Note B—Summary of Significant Accounting Policies, continued

The Organization usually follows such recommendations, though it is not required to do so. All grants made to other organizations from Donor Advised Funds are recorded as gifts to other ministries under program expenses. For Designated Funds, generally a selected committee of the Organization or donors determine which Organization programs should receive distributions from the Designated Funds. Grants of Designated Funds are recorded as program expenses.

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, estimated by the Organization at wholesale values considering their condition and utility for use, at the time the goods are received from the donor. The recognition of gift-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.

Gift-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, undistributed gifts-in-kind 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 and leasehold improvements, 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 costs of repairs and maintenance and depreciation are charged to expense. 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 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.

Charitable Trusts Receivable:

Other receivables include charitable trusts that represent the Organization’s interest in outside trust accounts. These trusts are created by donors independently of the Organization and are neither in the possession nor under the control of the Organization. The trusts are administered by outside fiscal agents as designated by the donor. The Organization records the fair value, using present value calculations and discounted at the rate commensurate with the risks involved. The trusts are recognized as revenue when the Organization is notified that it has been named as an irrevocable beneficiary. The Organization acts as trustee for similar trusts as noted under Assets Held in Trust.

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. Accordingly, the assets of such trusts, where the Organization acts as trustee, are reflected in the accompanying consolidated financial statements of the Organization at fair value with a related liability at net present value. The Organization discharges its fiduciary duties pursuant to these agreements

Note B—Summary of Significant Accounting Policies, continued

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 TIAA-CREF Trust Company. The Organization continues to act as trustee of these trusts and has named TIAA-CREF Trust Company co-trustee to aid them in their administration.

Charitable Gift Annuities:

Under charitable gift annuity contracts, the Organization receives irrevocable title to contributed assets and agrees to make fixed period payments over various periods, generally the life of the donor. Contributed assets are recorded at fair value at the date of receipt and a liability is established for the present value of future annuity payments. These liabilities are maintained in a separate and distinct fund. In addition to these liabilities, the Organization set aside an additional Gift Annuity reserve of \$2,915 and \$2,703 at September 30, 2007 and 2008, respectively, which is included in Investments in Pooled Funds (see Note D). The excess of contributed assets over the annuity liability is recorded as unrestricted contribution revenue. Any actuarial gain or loss resulting from the computation of the liability for the present value of future annuity payments is recorded as an unrestricted change in the value of split-interest agreements. Upon the donor's death, the remaining liability is recognized as change in value of split-interest revenue.

Net Assets:

The Organization's net assets and changes therein are classified and reported as follows:

Permanently Restricted Net Assets - Permanently restricted net assets represent the historical dollar amounts of gifts, including pledges and trusts, subject to donor-imposed stipulations to be invested in perpetuity, and only the income may be available for program operations.

Temporarily Restricted Net Assets - 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 or implied by the nature of the gift (pledges to be paid in the future, life-income funds). When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released due to satisfaction of program restrictions.

Unrestricted Net Assets - 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 any limits resulting from contractual agreements.

Grant Revenue:

Cash grant revenue is recognized in the period the Organization incurs reimbursable program expenditures. Food commodities and freight reimbursement received through the United States Agency for International Development are valued using guidelines published by the United States Department of Agriculture and the United States Agency for International Development. 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 the proceeds for food granted for monetization when the proceeds are utilized for program activities.

Contributions:

Contributions are recorded as revenue when an unconditional promise to give has been made. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the donor intent.

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

Other income consists primarily of actuarial adjustments, and realized and unrealized investment revenue, gains, and losses.

Volunteer Services:

The efforts of volunteer workers are not reflected in the accompanying consolidated financial statements, as the services provided do not meet the required criteria; however, a substantial number of volunteers have donated significant amounts of their time to the Organization.

Self Insurance:

The Organization is self-insured for losses and liabilities related primarily to employee health and welfare claims. Provisions for expenses expected under this program are accrued based upon the Organization's estimate of the aggregate liability for claims incurred. Adjustments to expenses resulting from changes in historical loss trends have been insignificant for the years ended September 30, 2007 and 2008. Further, the Organization does not anticipate any significant change in loss trends, settlements, or other costs that would cause a significant change in net assets.

Functional Allocation of Expenses:

The costs of providing certain 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, management and general, sponsorship programs, and public awareness have been allocated as indicated among the ministry and supporting services benefited.

Reclassifications:

Certain reclassifications have been made to prior year amounts to conform to the current presentation.

Adoption of New Accounting Pronouncements:

Effective September 30, 2007, the Organization adopted the recognition and disclosure provisions of Financial Accounting Standards Board Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158). SFAS 158 requires employers to recognize the funded status of defined benefit pension plans as a net asset or liability and recognize changes in that funded status in the year in which the changes occur. The funded status reported on the consolidated statement of financial position as of September 30, 2007 under SFAS 158 was measured at June 30, 2007 as the difference between the fair value of plan assets and the benefit obligation. The Organization will adopt the measurement provision effective September 30, 2009.

In August 2008, FASB released FASB Staff Position—117.1, *Endowments of Not-for-Profit Organization: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds*. This position is an update of Statement of Financial Accounting Standards 117 relating to the treatment of permanently restricted net assets to be consistent with the Uniform Prudent Management of Institutions Funds Act of 2006 ("UPMIFA") legislation. This position also provides disclosure about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The implementation date of FASB 117-1 is for fiscal years ending after December 15, 2008. The organization is currently evaluating the effects of future legislation of UPMIFA and the adoption of FASB 117-1.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*. This standard is effective for fiscal years beginning after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The organization has not yet determined the impact that adopting SFAS No. 157 might have on its consolidated financial statements.

Notes to Consolidated Financial Statements

Note B—Summary of Significant Accounting Policies, continued

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities — including an amendment of FASB statement No. 115*. This statement permits companies to choose to measure many financial instruments and certain other items at fair value. This statement is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The organization has not yet determined the impact that adopting SFAS No. 159 might have on its consolidated financial statements.

Note C—Marketable Securities

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

	2007	2008
Government securities	\$1,358	\$902
Equity securities	928	5,227
Mutual funds—equity, bond, and other	6,874	6,371
Corporate bonds	1,550	1,298
	\$10,710	\$13,798

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 funds held for various purposes such as endowments, donor advised funds, and others. The carrying value of assets held in investment in pooled funds was as follows at September 30:

	2007	2008
Cash equivalents	\$69,730	\$68,477
Equity securities	46,570	37,805
Real estate investment trusts	1,783	1,174
Government agency bonds	37,011	—
Mortgage-backed securities	476	446
Corporate bonds	2,597	1,192
Notes receivable	6,644	6,648
Other assets	7,174	10,509
	\$171,985	\$126,251

Note E—Inventory

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

	2007	2008
GIK inventory	\$45,413	\$52,725
Food held for monetization	4,385	4,216
Food received for distribution	44,154	28,286
	93,952	85,227
Provision for GIK obsolescence	(3,107)	(3,072)
	\$90,845	\$82,155

Note F—Fixed Assets

Fixed assets were comprised of the following at September 30:

	2007	2008
Land	\$3,396	\$6,829
Buildings and leasehold improvements	25,563	46,499
Equipment	26,091	29,078
Computer software	30,577	30,850
	85,627	113,257
Less accumulated depreciation and amortization	(39,980)	(45,667)
	\$45,647	\$67,589

Depreciation and amortization expense for the years ended September 30, 2007 and 2008 was \$6,704 and \$7,729, respectively.

Note G—Notes Payable

Notes payable consisted of the following at September 30:

	2007	2008
8.36% note, interest and principal due quarterly, due 2009	\$2,128	\$2,068
4.50% note, interest due quarterly until 2008, due 2010	1,000	875
7.50% note, interest and principal due quarterly, due 2012	741	591
7.07% note, interest only, due 2013	5,041	5,041
	\$8,910	\$8,575

Debt maturity	
2009	\$2,730
2010	550
2011	188
2012	66
2013	5,041
	\$8,575

Note H—Obligations Under Operating Leases

The Organization has commitments related to operating leases for building facilities and equipment at September 30, 2007 and 2008. All operating leases are noncancellable and expire on various dates by 2018.

Future minimum lease payments under noncancellable operating leases with initial or remaining terms of one year or more at September 30, 2008 are as follows:

Year ending September 30	Operating Leases
2009	\$2,571
2010	2,296
2011	2,150
2012	1,741
2013	594
Thereafter	1,122
	\$10,474

Lease and rent expenses for the years ended September 30, 2007 and 2008 were \$3,140 and \$3,667, respectively.

Notes to Consolidated Financial Statements

Note I—Amounts Held for Others

The Organization has entered into a variety of trusts for which the Organization is the trustee. Amounts held for others 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 estimated present value of future payments was determined on the basis of published actuarial factors for ages of the respective beneficiaries discounted using 30-year Treasury bond rates, which have ranged between 4.3% and 7.0%. The amounts held belong to various investment funds held in trust by the Organization and were as follows at September 30:

	2007	2008
Exchange portion of charitable lead trusts, charitable remainder trusts, and life estates	\$10,456	\$9,239
Refundable advances of revocable trusts and missions agreements	151	132
	\$10,607	\$9,371

Note J—Net Assets

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

	2007	2008
Represented by working capital and net fixed assets	\$25,375	\$2,227
Represented by Donor Advised Funds and Designated Funds	31,780	28,108
Represented by charitable gift annuities	592	536
Represented by undistributed GIK contributions	42,306	49,654
Represented by over/(under) funded status of pension plan	5,732	(3,548)
	\$105,785	\$76,977

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

	2007	2008
Child sponsorship and childcare ministries	\$2,817	\$1,183
Relief and rehabilitation, community development, and Christian impact and leadership projects	23,351	29,670
Domestic programs	3,724	3,335
Term endowments, the income from which is expendable to support World Vision programs	971	1,046
Split-interest agreements, the income from which is unrestricted upon the expiration of certain time restrictions	10,667	9,703
	\$41,530	\$44,937

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

Note K—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 of International Development's ("USAID's") Office of Food for Peace and the World Food Program. 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.

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

Cash grants	2007	2008
Cash awards from USAID	\$82,689	\$95,210
Cash awards from other agencies	18,721	14,148
Total cash grants	101,410	109,358
Food monetization grants		
Cash and freight awards from USAID	21,926	13,946
Cash and freight awards from other agencies	7,145	3,614
Total food monetization grants	29,071	17,560
Food distribution grants		
Food commodities from USAID	18,121	63,263
Food commodities from the World Food Program	46,901	42,429
Food commodities from other agencies	2,681	3,853
Cash freight awards from USAID	18,316	39,789
Cash freight awards from other agencies	3,671	4,338
Total food distribution grants	89,690	153,672
TOTAL CASH & FOOD COMMODITY GRANTS	\$220,171	\$280,590

Note L—Gift-in-Kind Revenue

GIK revenue has been allocated for use as follows:

	2007	2008
World Vision programs	\$204,377	\$287,127
Other nonprofit organizations	96,849	78,882
	\$301,226	\$366,009

Note M—Joint Cost Allocation

The Organization incurred expenses that were identifiable with a particular function but served joint purposes. Expenses related to certain events, donor communication, and program materials jointly support sponsorship, public awareness, fundraising, or management and general. These expenses were allocated by their functional classification as follows at September 30:

	2007	2008
Management and general	\$861	\$954
Fundraising	2,167	6,532
Public awareness and education	600	1,183
Sponsorship programs	629	631
	\$4,257	\$9,300

Notes to Consolidated Financial Statements

Note N—Retirement Plans

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 Plan for the Organization and World Vision International. The assets of the Plan are held in trust by the Organization.

As discussed in Note B, effective September 30, 2007, the Organization adopted the recognition and disclosure provisions of SFAS 158. The following table shows the incremental effects of applying SFAS 158 on individual line items in the statement of financial position as of September 30, 2007.

	Before application of SFAS 158	Adjustments	After application of SFAS 158
Prepaid pension asset	\$1,561	\$4,171	\$5,732
Unrestricted net assets	101,614	4,171	105,785

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

	2007	2008
Discount rate	6.25%	6.75%
Expected return on Plan assets	7.00%	7.00%
Rate of compensation increase	5.00%	5.00%

Note N—Retirement Plans, continued

Each year the Organization determines the discount rate as of the measurement date based on a review of interest rates associated with long-term high-quality debt instruments. The rate is based on management's understanding of the current economic environment and the Plan's expected future benefit payments. The following table provides a reconciliation of benefit obligations, plan assets, and funded status of the Plan for the years ended September 30, 2007 and 2008.

The measurement date for the information included in the following table is June 30:

Change in projected benefit obligations	2007		2008	
	World Vision, Inc.	Total Plan	World Vision, Inc.	Total Plan
Projected benefit obligations at beginning of year	\$43,548	\$59,355	\$48,977	\$65,936
Service cost	2,806	3,909	3,245	4,395
Interest cost	2,074	3,488	2,411	3,866
Changes in assumptions	534	—	378	(2,459)
Actuarial loss	1,978	2,662	995	1,285
Benefits paid	(1,963)	(3,478)	(2,156)	(3,530)
Projected benefit obligations at end of year	\$48,977	\$65,936	\$53,850	\$69,493
Accumulated benefit obligations at end of year	\$42,308	\$56,958	\$46,843	\$60,450
Change in Plan assets				
Plan assets at fair value at beginning of year	\$44,971	\$61,294	\$54,709	\$73,653
Actual return on Plan assets	8,701	11,337	(5,301)	(9,773)
Employer contributions	3,000	4,500	3,000	4,500
Benefits paid	(1,963)	(3,478)	(2,156)	(3,530)
Plan assets at fair value at end of year	\$54,709	\$73,653	\$50,252	\$64,850
Funded status	\$5,732	\$7,717	\$(3,598)	\$(4,643)
Amounts recognized in the Statement of Financial Position consist of:				
Funded status asset	\$5,732	\$7,717	-	-
Funded status liability	-	-	\$(3,598)	\$(4,643)
Total amount recognized	\$5,732	\$7,717	\$(3,598)	\$(4,643)
Amounts recognized in unrestricted net assets under SFAS 158 consist of:				
Pension plan adjustment	\$(4,171)	\$(4,294)	\$5,578	\$9,235

Notes to Consolidated Financial Statements

Note N—Retirement Plans, continued

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

	2007		2008	
	World Vision, Inc.	Total Plan	World Vision, Inc.	Total Plan
Service cost	\$2,806	\$3,909	\$3,245	\$4,395
Interest cost	2,074	3,489	2,411	3,866
Expected return on Plan assets	(2,458)	(4,134)	(3,075)	(4,930)
Amortization of prior service cost	(14)	(17)	-	-
Recognized actuarial loss	-	-	-	-
	\$2,408	\$3,247	\$2,581	\$3,331

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:

	2007	2008
Mutual funds	83.5%	83.3%
Equity funds	10.7%	9.6%
Notes receivable	2.7%	2.3%
Other assets	1.5%	2.8%
Corporate bonds	1.3%	1.6%
Real estate investment trusts	0.2%	0.1%
Cash and cash equivalents	0.1%	0.3%
	100.0%	100.0%

Estimated Future Payments

The Plan contribution for the year ending September 30, 2009 is expected to be \$3,000 and \$4,500 for World Vision, Inc. and the total Plan, respectively. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	World Vision, Inc.	Total Plan
2008-09	\$6,028	\$8,996
2009-10	2,757	4,115
2010-11	3,236	4,829
2011-12	3,234	4,827
2012-13	9,277	13,846
Thereafter	16,361	24,420
	\$40,893	\$61,033

The Organization also provides eligible employees a defined contribution plan, which qualifies under Section 403(b) of the Internal Revenue Code. Under the Plan, the Organization contributes to a participant's account an amount ranging from 50% to 100% of the employee contribution, depending on years of service, not to exceed 5% of the participant's eligible earnings. The Organization contributed \$1,090 and \$1,190, respectively, for the years ended September 30, 2007 and 2008.

Note O—Contingencies

The Organization is involved in various legal proceedings and claims arising in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on the financial position of the Organization.

Grant funding from government agencies is subject to additional audit requirements under Office of Management and Budget (“OMB”) Circular A-133 and review by the grantor. Based on historical experience and results of prior OMB Circular A-133 audits, which have been completed through fiscal year 2007, the Organization’s management believes costs ultimately disallowed, if any, would not materially affect the financial position, changes in net assets, or cash flows of the Organization.

Note P—Subsequent Events – Investment Performance

Since September 30, 2008, major U.S. and foreign equity and fixed income indices, including the S&P 500, MSCI EAFE, and the Lehman Aggregate have experienced significant declines. Management is monitoring investment market conditions and the impact such declines are having on the Organization’s investment and pension portfolios. Due to the volatility of the U.S. and world financial markets as of the date of this report, there is uncertainty regarding the long-term impact the current declines will have on the Organization’s investment and pension portfolios. While the Organization’s investment and pension portfolios are diversified, they too have experienced significant declines in values since year-end.