

## Financial Accountability and Stewardship

World Vision is dedicated to the highest standards of financial stewardship—because we believe 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 efficient stewardship of funds *and* its effectiveness in accomplishing its mission. As a result, 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 one 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 our overhead rate low. In fiscal year 2008, 87 percent of our total revenue was utilized for programs that benefit children, families, and communities in need. This represents a 1 percent improvement over the previous year, and our goal is to achieve additional productivity gains in the future.

World Vision is able to multiply the gifts we receive from private donors by adding gifts-in-kind and food resources to our sponsorship and other programs. On average, each private dollar donated to World Vision in 2008 resulted in more than one dollar of value being delivered to the communities we serve, even after fundraising and administrative costs were factored in.

## 2008 Financial Results

Fiscal 2008 was another year of growth for World Vision, with total revenue growing by 16 percent compared to the prior year. Our three primary channels of revenue—private cash, gifts-in-kind, and government grants—all grew strongly. Fundraising, management, and general expenses (generally referred to as overhead) increased at a slower rate of 8 percent during the year. Our overhead rate accordingly declined 1 percent, from 14 percent in fiscal 2007 to 13 percent in fiscal 2008. Program services, representing activities directed toward our mission, increased 17 percent, from \$839 million to \$979 million.

In hindsight, we committed more to mission in fiscal 2008 than was supported by final income results. Net assets for World Vision U.S. declined by \$25 million, largely reflecting significant and widespread drops in global asset values late in our fiscal year. Market valuation adjustments to World Vision's pension fund, as well as a segment of pooled financial investments, caused a sharp drop in investment yields for the year. Specifically, World Vision committed \$10 million to mission activities in anticipation of earnings from pooled investment funds during the year (representing a budgeted target to which we committed as the year began), but instead experienced an \$8 million net loss on those investments (virtually all unrealized, representing a -6 percent yield). In addition to this \$18 million swing related to pooled investments, assets of our pension plan incurred market value losses of nearly \$6 million (representing a yield of -10 percent). Our plans for fiscal 2009 include a rigorous tracking and management of revenue and commitments to ensure that financial outlays are within the income we realize.

World Vision remains financially strong, with sufficient liquid assets to discharge ongoing ministry commitments and other obligations. Most of our investments are held in secure money-market funds currently guaranteed by the U.S. government. Pension assets and other investments held for long-term purposes will obviously be subject to the uncertainty of global financial markets. Our investment strategy for long-term assets (primarily pensions, donor advised funds, and endowments) would generally be considered a conservative one, though the recent global financial downturn has affected virtually all asset values irrespective of risk profile.

## Looking Forward

As we anticipate fiscal 2009 and beyond, the world's economic outlook is much less certain than at perhaps any other time since World Vision was founded 58 years ago. We do continue to feel that God's hand remains firmly fixed on our work, and expect that He will use this time of challenge to make us an even more effective organization.

During the critical first quarter of fiscal 2009 (the three months ended December 31, 2008), our donors rose to the challenge, increasing their cash donations by 4 percent compared to the same quarter one year ago. Revenues for gifts-in-kind and government grants grew at an even stronger rate. While World Vision's revenue is clearly being affected by the global economic storm, we are thankful that our donors continue to give sacrificially in support of those who are suffering much greater losses than we in the United States. In the same period, World Vision's operating costs declined compared to last year, reflecting judicious adjustments in hiring, travel, and other non-essential expenses.

As we plan for the next 12 to 18 months, an increase in U.S. unemployment is perhaps the most concerning trend. Our donors are staunchly faithful to the children they support, even in times of economic hardship. However, they cannot sustain that support without jobs. In response, World Vision is taking every possible step to ensure that the children we serve are cushioned from the effects of this crisis. In addition to the cost control measures cited above, our staff will forgo merit pay increases this year and we will invite other business partners to share in the reduction of our operating costs. Above all, we will continue to pray, acknowledging our dependence on God as we steadfastly minister to those He has called us to serve.

**Larry Probus**  
**Chief Financial Officer, World Vision**



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