



■ report of independent auditors

Board of Directors

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, 2003 and 2002, 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 financial statements are the responsibility of the Organization's management; our responsibility is to express an opinion on these 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, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

PricewaterhouseCoopers LLP

December 5, 2003

World Vision Inc. consolidated statements of financial position

In Thousands of Dollars | September 30, 2003 and 2002

Assets

	Notes	2003	2002
Cash and cash equivalents		\$4,936	\$1,956
Accounts receivable from the United States Agency for International Development		3,368	6,495
Accounts, notes, and other receivables, net		16,683	8,887
Marketable securities	note C	7,249	7,074
Investments in pooled funds	note E	52,172	50,241
Donated real estate held as investments		3,237	11,669
Inventory and other assets		51,841	2,718
Fixed assets, net	note D	42,944	36,049
Assets held in trust		20,141	30,094
Total assets		\$202,571	\$155,183

Liabilities and net assets

Liabilities	Notes	2003	2002
Accounts payable and accrued expenses		\$20,018	\$12,767
Due to World Vision International		4,482	5,177
Notes payable	note I	10,297	10,894
Obligations under capital lease	note F	545	217
Charitable gift annuities		4,056	4,073
Deferred revenue		11,687	1,654
Amounts held for others		10,604	16,266
Total liabilities		\$61,689	\$51,048
Net assets	Notes	2003	2002
Unrestricted	note K	\$106,150	\$68,592
Temporarily restricted	note K	34,097	34,908
Permanently restricted		635	635
Total net assets		\$140,882	\$104,135
Total liabilities and net assets		\$202,571	\$155,183

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

World Vision Inc. consolidated statements of activities

In Thousands of Dollars | September 30, 2003 and 2002

Contributions and revenue

	Notes	2003				2002			
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Contributions		\$19,839	\$258,281	–	\$278,120	\$28,952	\$236,871	–	\$265,823
Less contributions raised on behalf of others			(317)	–	(317)	–	(516)	–	(516)
Public cash and food commodity grants	note J	198,079	–	–	198,079	110,781	–	–	110,781
Gifts-in-kind	note H	203,917	–	–	203,917	171,803	–	–	171,803
Other income—net		3,893	2,078	–	5,971	4,686	434	–	5,120
Net assets released due to expiration of time: split-interest agreements		4,775	(4,775)	–	–	1,730	(1,730)	–	–
Net assets released due to satisfaction of program restrictions		256,078	(256,078)	–	–	233,932	(233,932)	–	–
Total contributions and revenue		686,581	(811)	–	685,770	551,884	1,127	–	553,011

Expenses

Program Services									
Funding of World Vision International:									
Child sponsorship		117,299	–	–	117,299	109,041	–	–	109,041
Relief and rehabilitation, community development, and Christian impact and leadership projects		241,256	–	–	241,256	140,253	–	–	140,253
Gifts-in-kind		38,998	–	–	38,998	47,683	–	–	47,683
Domestic programs		11,687	–	–	11,687	49,882	–	–	49,882
Public awareness and education		4,632	–	–	4,632	2,789	–	–	2,789
Sponsorship programs		1,880	–	–	1,880	2,057	–	–	2,057
Gifts to other ministries	note L	137,450	–	–	137,450	101,796	–	–	101,796
Total program services		553,202	–	–	553,202	453,501	–	–	453,501
Supporting Services									
Management and general		32,542	–	–	32,542	32,264	–	–	32,264
Fund raising		63,279	–	–	63,279	56,040	–	–	56,040
Total supporting services		95,821	–	–	95,821	88,304	–	–	88,304
Total expenses		649,023	–	–	649,023	541,805	–	–	541,805
Change in net assets		37,558	(811)	–	36,747	10,079	1,127	–	11,206
Net assets, beginning of year		68,592	34,908	635	104,135	58,513	33,781	635	92,929
Net assets, end of year		\$106,150	\$34,097	\$635	\$140,882	\$68,592	\$34,908	\$635	\$104,135

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

World Vision Inc. consolidated statements of cash flows

In Thousands of Dollars | September 30, 2003 and 2002

Operating activities

	2003	2002
Change in net assets	\$36,747	\$11,206
Adjustment to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation & amortization	3,839	2,928
Realized and unrealized (gain) loss on investments	(1,100)	619
Loss on sale of donated vehicles	200	186
Loss on disposal of equipment	1,756	12
Non-cash contributions	(7,367)	(16,710)
Changes in operating assets and liabilities:		
Accounts receivable from USAID	3,127	(4,183)
Accounts and other receivables	(6,889)	430
Inventory and other assets	(49,177)	1,158
Assets held in trust	9,953	(952)
Accounts payable and accrued expenses	7,251	1,165
Due to World Vision International	(695)	5,177
Charitable gift annuities	(17)	(241)
Deferred revenue	10,033	(3)
Amount held for others (net)	(5,662)	(182)
Net cash provided by operating activities	1,999	610

Investing activities

	2003	2002
Acquisition of fixed assets	(12,710)	(13,795)
Proceeds from sale of equipment	693	19
Purchase of marketable securities	(1,904)	(4,027)
Proceeds from the sale of marketable securities	6,522	8,385
Purchase of investment in pooled funds	(213,077)	(172,154)
Proceeds from the sale of investment in pooled funds	214,164	176,719
Proceeds from sale of donated real estate held as investment	6,452	2,210
Proceeds from the sale of donated vehicles	623	446
Decrease in notes receivable	960	516
Net cash provided by (used in) investing activities	1,723	(1,681)

Financing activities

	2003	2002
Proceeds from line of credit and notes payable	2,004	1,410
Principal payments on line of credit and notes payable	(2,601)	(202)
Principal payment under capital leases	(145)	(112)
Net cash (used in) provided by financing activities	(742)	1,096
Net increase in cash and cash equivalents	2,980	25
Cash and cash equivalents, beginning of year	1,956	1,931
Cash and cash equivalents, end of year	\$4,936	\$1,956

Supplemental disclosures of cash flow information

	2003	2002
Cash paid during the year for interest	\$465	\$317

Supplemental schedule of non-cash investing and financing activities

In conjunction with the purchase of fixed assets, a note was assumed as follows:		
	2003	2002
Fair value of assets acquired	–	\$5,309
Cash paid for the fixed assets	–	(2,926)
Obligation assumed	–	\$2,383

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

■ notes to consolidated financial statements

In Thousands of Dollars | September 30, 2003 and 2002

Note A—Organization and Operations

The consolidated financial statements include the accounts of World Vision Inc. (Organization) and its wholly owned and controlled affiliates World Vision Foundation (Foundation) and World Vision Properties LLC (WVPLLC). All intercompany transactions and accounts have been eliminated.

World Vision Inc. is a Christian humanitarian agency that works through community-based development focused especially on the needs of children, emergency relief aid, promotion of justice, service to the Christian Church, public awareness directed toward the understanding of poverty around the world, and a faithful demonstration of the love of Jesus. The majority of World Vision 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.

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.

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

Note B—Summary of Significant Accounting Policies

Basis of Presentation:

The accompanying consolidated financial statements of the Organization have been prepared in accordance with the AICPA's *Audit and Accounting Guide* for "Not-for-Profit Organizations." Other significant accounting policies are described below.

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 (capital projects, pledges to be paid in the future, life-income funds). 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.

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.

Cash Equivalents:

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

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.

Contributions:

Unrestricted and restricted contributions are recorded as contributions and revenue when an unconditional promise to give has been made. Unconditional promises receivable at September 30, 2003 and 2002, were \$3,928 and \$1,839, respectively. Conditional promises to give at September 30, 2003 and 2002, were estimated to be less than \$7,000 and \$9,000, respectively.

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, 2003 and 2002. 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.

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 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 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 M). Accordingly, the assets of the retirement plan are not reflected in the accompanying financial statements.

Grant Revenue:

Cash grant revenue is recognized when the Organization incurs reimbursable program expenditures, while food grant revenue is recognized when food commodities are delivered to ultimate destination. 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 2002, the Organization's management believes costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Depreciation and Amortization:

Land, buildings, equipment, and computer software are recorded at cost on purchased items and at fair market value at the date of gift on donated items. 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, 33 to 40 years for buildings, five to seven years for computer software, and over the life of the lease on capital leases.

Note B—Summary of Significant Accounting Policies, continued

Gifts-in-kind:

Gifts-in-kind received through private donations are recorded in accordance with industry standards, referred to as the *Interagency GIK Standards*, as developed by an interagency taskforce 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 in 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, undistributed gifts-in-kind 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.

Contributions Raised on Behalf of Others:

During the year the Organization engaged in fund-raising efforts on behalf of the Parent Institute for Quality Education, a 501(c)(3) organization whose purpose is to enable parents to be involved in the education of their children.

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. The Donor continually recommends which organizations should receive grants from their fund; however, the Organization is not compelled to follow those recommendations (but usually does). The DAFs are used 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 to the fund. All grants made to other organizations from DAFs are recorded as program services expenses.

Financial Instruments:

The carrying amounts of financial instruments, including cash and cash equivalents, receivables, and payables, approximated fair value as of September 30, 2003 and 2002, because of the relatively short maturity of these instruments, except for two notes receivable. The total present value of the future cash flows of the two notes at September 30, 2002, was \$4,219 and the remaining note at September 30, 2003 was \$4,130. The corresponding reported value of the two notes was \$6,366 at September 30, 2002, and the remaining note at September 30, 2003 was \$5,041. The notes receivable have corresponding notes payable with the same terms.

Joint Cost Allocation:

The costs of providing two programs 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 fund raising and public awareness & education have been allocated as indicated among the ministry and supporting services benefited.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications:

Certain prior-year balances have been reclassified to conform to the current-year presentation.

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:

	2003	2002
Exchange portion of charitable lead trusts, charitable remainder trusts, and life estates	\$10,232	\$15,722
Refundable advances of revocable trusts and missions agreements	372	544
	\$10,604	\$16,266

Other Income:

Other income consists primarily of annuity and investment revenue. Annuity payments to donors for the years ended September 30, 2003 and 2002, of \$739 and \$812, respectively, were offset against revenue, since this represents income to the donor rather than to the Organization.

Note C—Marketable Securities

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

	2003	2002
Mutual funds	\$2,325	\$1,647
Corporate bonds	1,269	858
Government bonds	3,030	3,668
Equity funds	625	901
	\$7,249	\$7,074

Net realized and unrealized gain of \$577 and loss of \$428 are in other income for the years ended September 30, 2003 and 2002, respectively.

Note D—Fixed Assets

Fixed assets were comprised of the following at September 30:

	2003	2002
Land	\$1,824	\$1,830
Buildings	20,580	19,336
Equipment	20,741	19,264
Computer software	20,310	14,462
	63,455	54,892
Less accumulated depreciation and amortization	(20,511)	(18,843)
	\$42,944	\$36,049

Depreciation and amortization expense for the years ended September 30, 2003 and 2002, was \$3,839 and \$2,928, respectively. Included in computer software are certain non-depreciated assets for an enterprise-wide systems project in the amount of \$14,528 and \$6,162 for 2003 and 2002, respectively. Depreciation will begin when the project is placed in service in October 2003.

Note E—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. Included below are investments of certain revocable trusts of \$10 and \$60 at September 30, 2003 and 2002, respectively. The fair value of assets held in investment in pooled funds was as follows at September 30:

	2003	2002
Cash and cash equivalents	\$8,595	\$3,706
Notes receivable	3,556	4,240
Corporate bonds	11,331	12,348
Mortgage back securities	2,338	9,595
Real Estate Investment Trusts	6,670	4,736
Equity funds	15,676	11,679
Other assets	4,006	3,937
	\$52,172	\$50,241

Note F—Lease Commitments

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, 2003 and 2002. All capital and operating leases are noncancellable and expire on various dates by 2008.

Future minimum lease payments under noncancellable capital and operating leases with initial or remaining terms of one year or more at September 30, 2003, are as follows:

Year Ending September 30	Operating Leases	Capital Leases
2004	\$1,746	\$295
2005	1,442	186
2006	1,109	155
2007	788	—
2008	639	—
	\$5,724	636
Less amount representing estimated executory costs (such as taxes, maintenance, and insurance)		(51)
Less amount representing interest		(40)
Net present value of future minimum lease payments		\$545

Obligations under capital leases have been discounted at the imputed interest rate of 7.7 percent. Leases and rent expense for the years ended September 30, 2003 and 2002, were \$1,750 and \$1,676, respectively. The net book value of assets under capital leases was \$494 and \$184 at September 30, 2003 and 2002, respectively.

Note G—Line of Credit

The Organization maintains a line of credit with their primary banking relationship that allows for borrowings up to \$7,000 at the interest rate of prime (4.00% at September 30, 2003) or LIBOR plus 1.25% (2.55% at September 30, 2003). The line of credit is revolving and funds borrowed are to be used for short-term operating cash needs. This agreement was renewed on September 30, 2002. The Organization had no outstanding balances against the line of credit at September 30, 2003 and 2002. In connection with this agreement, the Organization has agreed to maintain, minus endowments, a minimum fund balance, as defined in the agreement.

Additionally, on September 30, 2002, the Organization signed a converting line of credit that allows for borrowings up to \$19,000 at the interest rate of prime (4.00% at September 30, 2003) or LIBOR plus 1.25% (2.55% at September 30, 2003). The converting line of credit is revolving and funds borrowed are to be used for an enterprise-wide systems project. The note is collateralized by the headquarters property. On September 30, 2004, the note converts to a fixed note. All principal and accrued interest is due September 30, 2010. The Organization had no outstanding balances against the converting line of credit at September 30, 2003 and 2002. In connection with this agreement, the Organization has agreed to maintain, minus endowments, a minimum fund balance, as defined in the agreement.

Note H—Gifts-in-kind

	2003	2002
Gift-in-kind donations	\$203,917	\$171,803
Gifts-in-kind distributed:		
World Vision Programs	(38,610)	(75,759)
Other nonprofit organizations	(116,202)	(96,044)
Undistributed gifts-in-kind	\$49,105	-

Note I—Notes Payable

	2003	2002
4.5% note, interest quarterly until 2008, due 2010	\$1,000	–
6.3% note, paid in full August 28, 2003	–	\$1,325
7.07% note, interest only, due 2013	5,041	5,041
7.5% note, interest and principal due quarterly, due 2012	1,242	1,345
8.36% note, interest and principal due quarterly, due 2009	2,325	2,365
8.5% note, interest and principal due quarterly, due 2007	689	818
	\$10,297	\$10,894

Debt maturity

	2003
2004	\$295
2005	320
2006	347
2007	376
Thereafter	8,959
	\$10,297

During 2003 interest in the amount of \$319 was capitalized as part of an enterprise-wide systems project.

Note J—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. 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. Monetization revenue is recognized when expenditures are incurred, which better reflects the timing of program activities carried out overseas.

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

Cash Grants	2003	2002
Cash awards from USAID	\$54,823	\$38,815
Cash awards from other agencies	5,238	7,388
Subtotal cash grants	60,061	46,203
Food Distribution Grants		
Cash freight from USAID	30,439	6,606
Cash freight from other agencies	28	18
Food commodities from USAID	57,029	11,006
Food commodities from other agencies	28,063	19,193
Subtotal food distribution grants	115,559	36,823
Food Monetization Grants		
Cash awards from USAID	21,427	10,833
Cash awards from other agencies	1,032	872
Food commodities from USAID	–	14,747
Food commodities from other agencies	–	1,303
Subtotal food monetization grants	22,459	27,755
Total cash and food commodity grants	\$198,079	\$110,781

Note K—Net Assets

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

	2003	2002
Undesignated	\$(2,820)	\$9,641
Represented by donor advised funds	21,077	26,803
Represented by charitable gift annuities	594	844
Represented by land, buildings, equipment, computer software, and undistributed gift-in-kind contributions	87,299	31,304
	\$106,150	\$68,592

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

	2003	2002
Child sponsorship and childcare ministries	\$8,447	\$7,365
Relief and rehabilitation, community development, and Christian impact and leadership projects	12,499	12,249
Domestic programs	1,280	1,786
Term endowments, the income from which is expendable to support World Vision programs	840	830
Split-interest agreements, the income from which is unrestricted upon the expiration of certain time restrictions	11,031	12,678
	\$34,097	\$34,908

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

Note L—Gifts to Other Ministries

Gifts to other ministries include the following for the years ended September 30:

	2003	2002
Gifts-in-kind delivered to other unaffiliated nonprofit organizations	\$116,202	\$96,045
Cash grants made to other organizations from donor advised funds	9,259	5,569
Miscellaneous cash gifts made to other organizations	11,989	182
	\$137,450	\$101,796

Note M—Retirement Plan

The Organization has a noncontributory Cash Balance Retirement Plan (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. The details of the Plan assets at fair value, for both companies, are summarized below at September 30:

	2003	2002
Cash and cash equivalents	\$144	\$383
Mutual funds	27,238	18,873
Notes receivable	3,776	4,026
Corporate bonds	706	628
Mortgage back securities	282	1,981
Real Estate Investment Trusts	759	—
Other Equity funds	3,858	2,268
	\$36,763	\$28,159

The following table sets forth the Plan's funded status for the Organization alone and based on an actuarial valuation at June 30, amounts recognized in the Organization's statements of financial position and statements of activities at September 30:

	2003	2002
Benefit obligation, end of year	\$30,740	\$25,998
Fair value of plan assets, end of year	23,937	20,883
Funded status	\$(6,803)	\$(5,115)

Accrued benefit cost recognized in the Statement of Financial Position	\$(321)	\$(690)
Weighted-average assumptions		
Discount rate	6.50%	7.00%
Expected return on plan assets	7.00%	7.00%
Rate of compensation increase	5.23%	5.23%

Benefit cost	\$2,147	\$1,643
Employer contribution	2,516	1,510
Benefits paid	901	1,645

World Vision Inc. consolidated schedule of functional expenses

In Thousands of Dollars | September 30, 2003 and 2002

	Program Services					Supporting Services			Total	
	International Programs	Domestic Programs	Public Awareness & Education	Sponsorship Programs	Total Program Services	Management & General	Fund Raising	Total Supporting Services	2003	2002
Funding of World Vision International and U.S. domestic programs:										
Child sponsorship	117,299				117,299				117,299	109,041
Relief and rehabilitation, community development, and Christian impact and leadership projects	228,065	3,357	–	–	231,422	–	–	–	231,422	146,212
Gifts-in-kind	38,610	–	–	–	38,610	–	–	–	38,610	75,759
Gifts to other ministries	114,053	23,397	–	–	137,450	–	–	–	137,450	101,795
Salaries and benefits	7,043	5,331	1,854	1,308	15,536	19,189	20,971	40,160	55,696	46,649
Professional services	1,113	546	1,093	20	2,772	2,166	8,222	10,388	13,160	13,141
Media and advertising	42	79	570	–	691	363	13,059	13,422	14,113	15,678
Freight and postage	58	70	248	81	457	357	5,585	5,942	6,399	5,857
Travel	1,299	892	242	6	2,439	1,031	2,993	4,024	6,463	5,133
Telephone and communication	290	202	52	25	569	352	636	988	1,557	1,472
Occupancy	524	892	116	325	1,857	1,760	1,593	3,353	5,210	3,916
Supplies	186	238	121	12	557	286	590	876	1,433	1,219
Equipment	107	86	59	30	282	314	278	592	874	1,040
Repairs and maintenance	32	86	5	7	130	1,522	100	1,622	1,752	1,990
Printing	22	111	238	–	371	112	8,360	8,472	8,843	7,462
Interest	146	–	–	–	146	–	–	–	146	317
Depreciation	207	150	34	64	455	2,370	228	2,598	3,053	2,928
Other	2,122	35	–	2	2,159	2,720	664	3,384	5,543	2,196
Totals	\$511,218	\$35,472	\$4,632	\$1,880	\$553,202	\$32,542	\$63,279	\$95,821	\$649,023	\$541,805



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Founded in 1950, World Vision is an international Christian humanitarian organization serving the world's poorest children and families in nearly 100 countries. Driven by faith, World Vision is your partner in enabling the world's children to realize their God-given potential by tackling the root causes of poverty. We extend assistance to all people, regardless of their religious beliefs, gender, race, or ethnic background.