



**World Vision Inc.**

Audited Financial Statements | 2002

## Report of Independent Accountants

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, 2002 and 2001, 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*

Seattle, Washington  
December 4, 2002

## World Vision Inc. Consolidated Statements of Financial Position

In Thousands of Dollars — September 30, 2002 and 2001

Notes	2002	2001
<b>Assets</b>		
Cash and cash equivalents	\$ 1,956	\$ 1,931
Accounts receivable from the United States Agency for International Development	6,495	2,312
Accounts, notes, and other receivables, net of allowance for doubtful accounts of \$575 and \$0 in 2002 and 2001, respectively	8,887	9,369
Marketable securities	7,074	5,601
Investments in pooled funds	50,241	53,778
Donated real estate held as investment	11,669	5,707
Other assets	2,718	3,912
Fixed assets, net	36,049	22,830
Assets held in trust	30,094	29,142
<b>Total Assets</b>	<b>\$155,183</b>	<b>\$134,582</b>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 12,808	\$ 11,602
Due to World Vision International	5,177	—
Notes payable	10,894	7,303
Obligations under capital lease	217	329
Charitable gift annuities	4,073	4,314
Annuities payable	1,613	1,657
Amounts held for others	16,266	16,448
Total liabilities	51,048	41,653
Net Assets:		
Unrestricted:		
Currently available	9,641	17,003
Represented by fixed assets, donor advised funds and charitable gift annuities	58,951	41,510
Total unrestricted net assets	68,592	58,513
Temporarily restricted:		
Currently available for ministry	21,400	21,815
Represented by split-interest agreements and term endowments	13,508	11,966
Total temporarily restricted net assets	34,908	33,781
Permanently restricted	635	635
Total net assets	104,135	92,929
<b>Total Liabilities and Net Assets</b>	<b>\$155,183</b>	<b>\$134,582</b>

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, 2002 and 2001

	2002				2001			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Contributions and Revenue</b>								
Contributions	\$ 28,952	\$ 236,871	\$ —	\$ 265,823	\$ 20,417	\$ 223,803	\$ 25	\$ 244,245
Less contributions raised on behalf of others	—	(516)	—	(516)	—	(1,196)	—	(1,196)
Public cash and food commodity grants— Note I	110,781	—	—	110,781	124,089	—	—	124,089
Gifts-in-kind—Note G	171,803	—	—	171,803	154,515	—	—	154,515
Other income—net	4,681	154	—	4,835	3,220	43	—	3,263
Change in value of split-interest agreements	5	280	—	285	538	(104)	—	434
Net assets released due to expiration of time restrictions on split-interest agreements	1,730	(1,730)	—	—	1,316	(1,316)	—	—
Net assets released due to satisfaction of program restrictions	233,932	(233,932)	—	—	219,748	(219,748)	—	—
<b>Total Contributions and Revenue</b>	<b>551,884</b>	<b>1,127</b>	<b>—</b>	<b>553,011</b>	<b>523,843</b>	<b>1,482</b>	<b>25</b>	<b>525,350</b>
<b>Expenses</b>								
Ministry Services:								
Funding of World Vision International:								
Child sponsorship	109,041	—	—	109,041	95,787	—	—	95,787
Relief and rehabilitation, community development, and Christian outreach and leadership projects	140,253	—	—	140,253	174,306	—	—	174,306
Gifts-in-kind	47,683	—	—	47,683	44,761	—	—	44,761
Domestic programs	49,882	—	—	49,882	42,959	—	—	42,959
Public awareness and education—Note M	2,789	—	—	2,789	3,300	—	—	3,300
Sponsorship ministries	2,057	—	—	2,057	2,485	—	—	2,485
Gift to other ministries—Note K	101,796	—	—	101,796	80,187	—	—	80,187
Total ministry services	453,501	—	—	453,501	443,785	—	—	443,785
Supporting Services—Note M:								
Management and general	32,264	—	—	32,264	28,612	—	—	28,612
Fund raising	56,040	—	—	56,040	55,157	—	—	55,157
Total supporting services	88,304	—	—	88,304	83,769	—	—	83,769
<b>Total Expenses</b>	<b>541,805</b>	<b>—</b>	<b>—</b>	<b>541,805</b>	<b>527,554</b>	<b>—</b>	<b>—</b>	<b>527,554</b>
Change in Net Assets	10,079	1,127	—	11,206	(3,711)	1,482	25	(2,204)
Net assets, beginning of year	58,513	33,781	635	92,929	62,224	32,299	610	95,133
<b>Net Assets, End of Year</b>	<b>\$ 68,592</b>	<b>\$ 34,908</b>	<b>\$ 635</b>	<b>\$ 104,135</b>	<b>\$ 58,513</b>	<b>\$ 33,781</b>	<b>\$ 635</b>	<b>\$ 92,929</b>

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, 2002 and 2001

	2002	2001
<b>Operating Activities</b>		
Change in net assets	\$ 11,206	\$ (2,204)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,928	2,447
Realized and unrealized loss on investments	619	3,552
Loss on sale of donated vehicles	186	90
Loss on disposal of equipment	12	32
Non-cash contributions	(16,710)	(9,335)
Changes in operating assets and liabilities:		
Accounts receivable from USAID	(4,183)	1,198
Accounts and other receivables	430	94
Other assets	1,158	(1,595)
Assets held in trust	(952)	1,030
Accounts payable and accrued expenses	1,206	253
Due to World Vision International	5,177	(780)
Charitable gift annuities	(241)	(583)
Deferred revenue from pooled income funds	(44)	(111)
Amounts held for others	(182)	104
<b>Net cash provided by (used in) operating activities</b>	<b>610</b>	<b>(5,808)</b>
<b>Investing Activities</b>		
Acquisition of fixed assets	(13,795)	(4,848)
Proceeds from the sale of equipment	19	14
Purchases of marketable securities	(4,027)	(3,000)
Proceeds from the sale of marketable securities	8,385	10,237
Purchases of investments in pooled funds	(172,154)	(166,673)
Proceeds from the sale of investments in pooled funds	176,719	169,480
Proceeds from the sale of donated real estate held as investment	2,210	6
Proceeds from the sale of donated vehicles	446	532
Decrease in notes receivable	516	89
<b>Net cash (used in) provided by investing activities</b>	<b>(1,681)</b>	<b>5,837</b>
<b>Financing Activities</b>		
Proceeds from line of credit and notes payable	1,410	—
Principal payments on line of credit and notes payable	(202)	(397)
Principal payments under capital leases	(112)	(103)
<b>Net cash provided by (used in) financing activities</b>	<b>1,096</b>	<b>(500)</b>
Net increase (decrease) in cash and cash equivalents	25	(471)
Cash and cash equivalents, beginning of year	1,931	2,402
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,956</b>	<b>\$ 1,931</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid during the year for interest	\$ 1,563	\$ 1,112
<b>Supplemental schedule of noncash investing and financial activities:</b>		
The Organization purchased fixed assets. In conjunction with the acquisitions, a note was assumed as follows:	Fair value of assets acquired	\$ 5,309
	Cash paid for the fixed asset	(2,926)
	Obligation assumed	\$ 2,383

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

**Note A—Organization and Operations**

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

World Vision Inc. is a Christian humanitarian agency that ministers 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 serving as a witness to the Gospel of Jesus Christ. The majority of the program ministries of World Vision 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-publically 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 followed 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 include gifts; including pledges and trusts, and 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.

*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, 2002 and 2001, were \$1,839 and \$1,493, respectively. Conditional promises to give at September 30, 2002 and 2001, were estimated to be less than \$10,000.

*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, 2002 and 2001. 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 N). Accordingly, the assets of the retirement plan are not reflected in the accompanying financial statements.

*Grant Revenue:* Grant revenue is recognized when the Organization incurs program expenditures. 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 2001, 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.

*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 ministry services expenses.

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

*Financial Instruments:* The carrying amounts of financial instruments, including cash and cash equivalents, receivables, and payables, approximated fair value as of September 30, 2002 and 2001, 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 and 2001, was \$4,219 and \$3,986, respectively. The corresponding reported value of the two notes is \$6,366 for both September 30, 2002 and 2001. As discussed in Note H, the notes receivable have corresponding notes payable with the same terms.

*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:

	2002	2001
Exchange portion of charitable lead trusts, charitable remainder trusts, and life estates	\$ 15,722	\$ 15,762
Refundable advances of revocable trusts and missions agreements	544	686
	\$ 16,266	\$ 16,448

*Other Income:* Other income consists primarily of annuity and investment revenue. Annuity payments to donors for the years ended September 30, 2002 and 2001, of \$812 and \$813, respectively, were offset against revenue, since this represents income to the donor rather than to the Organization.

**Note C—Fixed Assets**

Fixed assets were comprised of the following at September 30:

	2002	2001
Land	\$ 1,830	\$ 1,830
Buildings	19,336	14,033
Equipment	19,264	17,912
Computer software	14,462	5,445
	54,892	39,220
Less accumulated depreciation and amortization	(18,843)	(16,390)
	\$ 36,049	\$ 22,830

Depreciation and amortization expense for the years ended September 30, 2002 and 2001, was \$2,928 and \$2,447, respectively. Certain non-depreciated assets included above are Computer software for the enterprise-wide systems project in the amount of \$6,162. Depreciation will begin when the project is placed in service.

**Note D—Investments in Pooled Funds**

The Organization pools its investments to manage its cash needs and to maximize returns. Included in the pool are assets of the Organization's operating funds as well as certain revocable trusts, which the Organization holds in trust. Investments in pooled funds of the Organization's operating funds were \$50,181 and \$53,718 at September 30, 2002 and 2001, respectively. Investments in pooled funds of certain revocable trusts were \$60 and \$60 at September 30, 2002 and 2001, respectively. The fair value of assets held in investment in pooled funds was as follows at September 30:

	2002	2001
Cash and cash equivalents	\$ 3,706	\$ 14,307
Notes receivable	4,240	5,475
Corporate bonds	12,348	11,144
Mortgage back securities	9,595	7,593
Real estate investment trusts	4,736	4,619
Equity funds	11,679	9,859
Other assets	3,937	781
	\$ 50,241	\$ 53,778

**Note E—Lease Commitments**

The Organization has commitments related to operating leases for building facilities and equipment and capital leases for donation processing equipment at September 30, 2002 and 2001. All capital and operating leases are noncancellable and expire on various dates by 2007.

Future minimum lease payments under noncancellable capital and operating leases with initial or remaining terms of one year or more at September 30, 2002, are as follows:

Year Ending September 30	Operating Leases	Capital Leases
2003	\$ 1,325	\$ 144
2004	960	109
2005	807	—
2006	634	—
2007	432	—
	\$ 4,158	253
Less amount representing estimated executory costs (such as taxes, maintenance, and insurance)		(20)
Less amount representing interest		(16)
Net present value of future minimum lease payments		\$ 217

Obligations under capital leases have been discounted at the imputed interest rate of 7.657 percent. Leases and rent expense for the years ended September 30, 2002 and 2001, were \$2,477 and \$1,563, respectively. The net book value of assets under capital leases was \$184 and \$294 at September 30, 2002 and 2001, respectively.

**Note F—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 (4.75% at September 30, 2002) or LIBOR plus 1.25% (2.95% at September 30, 2002). 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, 2002 and 2001. 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 (4.75% at September 30, 2002) or LIBOR plus 1.25% (2.95% at September 30, 2002). 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, 2002. In connection with this agreement, the Organization has agreed to maintain, minus endowments, a minimum fund balance, as defined in the agreement.

**Note G—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 at their estimated fair value 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 in World Vision Inc. or World Vision International programs. Gifts-in-kind were distributed to domestic and international programs through the following agencies for the years ended September 30:

	2002	2001
World Vision International	\$ 47,683	\$ 44,761
World Vision Inc. domestic ministries	28,076	33,993
World Vision Inc. headquarters	-	772
Other nonprofit organizations	96,044	74,989
	<u>\$ 171,803</u>	<u>\$ 154,515</u>

**Note H—Notes Payable**

In 1993, \$1,400 was borrowed for the purchase of a warehouse facility to support gifts-in-kind activities. Interest only is payable on a quarterly basis at an annual rate of 8.5 percent compounded quarterly. The principal is due on September 30, 2007, or in the event the property is sold prior to the due date. The principal balance at September 30, 2002 and 2001, was \$818 and \$937, respectively. Interest expense for the years ended September 30, 2002 and 2001, was \$75 and \$85, respectively.

The Organization incurred debt in the form of a term note payable dated December 29, 1995, to a charitable lead annuity trust, which is held in trust by the Organization. The value received was in the form of a term note receivable from a limited partnership made by its general partners, the terms of which are the same as the note payable. The principal sum of the note payable is \$5,041 and is due on January 31, 2013, plus interest at the rate of 7.07 percent per annum. Interest only is payable monthly. Interest expense for each of the years ended September 30, 2002 and 2001, was \$356; correspondingly, interest income received for each of the years ended September 30, 2002 and 2001, was \$356.

The Organization incurred debt in the form of a term note payable dated December 29, 1995, to a limited partnership. The value received was in the form of a term note receivable from a limited partnership made by its general partners, the terms of which are the same as the note payable. The principal sum of the note payable is \$1,325 and is due on February 28, 2004, plus interest at the rate of 6.3 percent per annum. Interest only is payable monthly. Interest expense for each of the years ended September 30, 2002 and 2001 was \$83; correspondingly, interest income received for each of the years ended September 30, 2002 and 2001 was \$83.

In January 2002, the Organization assumed a note from the seller for the purchase of a building in Washington D.C., to support its international programs. The principal sum of the note payable is \$2,383 and is due on July 1, 2009, plus interest at the rate of 8.36 percent per annum. Principal and interest is payable monthly. The note contains an acceleration clause for certain events. The principal balance at September 30, 2002 was \$2,365. Interest expense for the year ended September 30, 2002 was \$132.

Additionally, in January 2002, \$1,410 was borrowed for the purchase of the Washington D.C. building. Interest and principal is payable on a monthly basis at an annual rate of 7.5 percent per annum. The principal is due on January 29, 2012. The principal balance at September 30, 2002 was \$1,345. Interest expense for the year ended September 30, 2002 was \$70.

#### Note I—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 Office of United States Agency of International Development (USAID) 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. Cash and food commodity grants received are as follows for the years ended September 30:

	2002	2001
<i>Cash Grants:</i>		
Cash awards from USAID	\$38,815	\$39,530
Cash awards from other agencies	7,388	6,632
Subtotal cash grants	<u>46,203</u>	<u>46,162</u>
<i>Food Distribution Grants:</i>		
Cash freight from USAID	6,606	5,023
Cash freight from other agencies	18	—
Food commodities from USAID	11,006	15,269
Food commodities from other agencies	19,193	25,844
Subtotal food distribution grants	<u>36,823</u>	<u>46,136</u>
<i>Food Monetization Grants:</i>		
Cash awards from USAID	10,833	14,977
Cash awards from other agencies	872	—
Food commodities from USAID	14,747	16,814
Food commodities	1,303	—
Subtotal food monetization grants	<u>27,755</u>	<u>31,791</u>
Total cash and food commodity grants	<u>\$ 110,781</u>	<u>\$ 124,089</u>

**Note J—Net Assets**

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

	2002	2001
Undesignated	\$ 9,084	\$ 16,446
Board designated for U.S. programs	557	557
Represented by donor advised funds	26,803	19,024
Represented by charitable gift annuities	844	922
Represented by land, buildings, equipment, and computer software	31,304	21,564
	<u>\$ 68,592</u>	<u>\$ 58,513</u>

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

	2002	2001
Child sponsorship and childcare ministries	\$ 7,365	\$ 6,092
Relief and rehabilitation, community development, and Christian outreach and leadership projects	12,249	8,109
Domestic ministries	1,786	7,614
Term endowments, the income from which is expendable to support child sponsorship and evangelism ministries	830	814
Split-interest agreements, the income from which is unrestricted upon the expiration of certain time restrictions	12,678	11,152
	<u>\$34,908</u>	<u>\$33,781</u>

Permanently restricted net assets are restricted to endowments invested in perpetuity, the income from which is expendable to support child sponsorship and evangelism ministries.

**Note K—Gifts to Other Ministries**

Gifts to other ministries include the following at September 30:

	2002	2001
Gifts-in-kind delivered to other unaffiliated nonprofit organizations	\$ 96,045	\$ 74,989
Cash grants made to other organizations from donor advised funds	5,569	5,034
Miscellaneous cash gifts made to other organizations	182	164
	<u>\$101,796</u>	<u>\$ 80,187</u>

**Note L—Marketable Securities**

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

	2002	2001
Mutual funds	\$ 1,647	\$ 249
Corporate bonds	858	1,320
Government bonds	3,668	3,558
Equity funds	901	474
	<u>\$7,074</u>	<u>\$ 5,601</u>

Net realized and unrealized losses of \$428 and \$478 are in other income for the years ended September 30, 2002 and 2001, respectively.

**Note M—Joint Cost Allocation**

The costs of providing the various 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 and education have been allocated among the ministry and supporting services benefited. The following are primary costs that have been allocated as indicated for the years ended September 30:

	2002			2001		
	30 Hour Famine	Love Loaf	Total	30 Hour Famine	Love Loaf	Total
Fund raising	\$1,935	\$270	\$2,205	\$2,280	\$359	\$2,639
Public awareness and education	1,042	30	1,072	1,227	40	1,267
<b>Total</b>	<b>\$2,977</b>	<b>\$300</b>	<b>\$3,277</b>	<b>\$3,507</b>	<b>\$399</b>	<b>\$3,906</b>

**Basis of Allocation:**

*30 Hour Famine:* Costs were allocated at 65 percent and 35 percent to fund raising and public awareness & education, respectively, for the years ended September 30, 2002 and 2001. The 30 Hour Famine program is an annual event wherein participants fast for 30 hours and acquire sponsors to raise funds for the Organization. During the Famine event, participants are educated about the needs of the poor, are informed in how to meet the needs of the poor in their communities other than contributing to the Organization, and are asked to participate in serving the needs of the poor in ways such as volunteering at local aid organizations.

*Love Loaf:* Costs were allocated at 90 percent and 10 percent to fund raising and public awareness & education, respectively, for the year ended September 30, 2002 and 2001. The Love Loaf program is available to churches and individuals wherein participants collect loose change and place it in small banks that are in the shape of a loaf of bread to raise funds for the Organization. As part of the Love Loaf program, volunteers, families, and churches are educated through family devotionals and Sunday School materials developed by the Organization about the needs of the poor and how they can help meet the needs of the poor.

**Note N—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:

	2002	2001
Cash and cash equivalents	\$ 383	\$ 325
Mutual funds	18,873	20,089
Notes receivable	4,026	2,865
Corporate bonds	628	1,062
Mortgage back securities	1,981	3,337
Equity funds	2,268	79
Other Assets	—	48
	\$ 28,159	\$ 27,805

The following table sets forth the Plan's funded status for the Organization alone and amounts recognized in the Organization's statements of financial position and statements of activities at September 30:

	2002	2001
Benefit obligation, end of year	\$ 25,998	\$ 24,420
Fair value of plan assets, end of year	20,883	20,528
Funded Status	\$ (5,115)	\$ (3,892)
Accrued benefit cost recognized in the Statement of Financial Position	\$ (690)	\$ (557)
Weighted-average assumptions		
Discount rate	7.00%	7.00%
Expected return on plan assets	7.00%	8.00%
Rate of compensation increase	5.23%	5.23%
Benefit cost	\$ 1,643	\$ 1,071
Employer contribution	1,510	1,087
Benefits paid	1,645	1,613

## World Vision Inc. Schedule of Functional Expenses

In Thousands of Dollars — For the year ended September 30, 2002 (with comparative totals for 2001)

	Ministry Services					Supporting Services			Total	
	International Ministries	Domestic Ministries	Public Awareness & Education	Sponsorship Ministries	Total Ministry Services	Management & General	Fund Raising	Total Supporting Services	2002	2001
Funding of World Vision International and U.S. Domestic Programs:										
Child sponsorship	\$109,041	\$ -	\$ -	\$ -	\$109,041	\$ -	\$ -	\$ -	\$109,041	\$95,787
Relief and rehabilitation, community development, Christian outreach and leadership projects	132,320	13,892	-	-	146,212	-	-	-	146,212	170,250
Gifts-in-kind	47,683	28,076	-	-	75,759	-	-	-	75,759	78,701
Gifts to other ministries	58,761	43,034	-	-	101,795	-	-	-	101,795	80,187
Salaries and benefits	5,006	4,807	1,008	1,335	12,156	18,185	16,308	34,493	46,649	40,752
Professional services	296	585	408	69	1,358	3,813	7,970	11,783	13,141	14,041
Media	5	58	281	79	423	238	11,194	11,432	11,855	10,982
Freight and postage	40	115	251	78	484	321	5,052	5,373	5,857	5,682
Advertising and promotion	17	26	90	-	133	199	3,491	3,690	3,823	4,137
Travel	1,031	848	272	12	2,163	824	2,146	2,970	5,133	5,407
Telephone and utilities	162	222	27	28	439	507	526	1,033	1,472	1,490
Occupancy	642	630	62	316	1,650	2,315	1,111	3,426	5,076	3,889
Supplies	49	233	84	29	395	358	466	824	1,219	1,163
Equipment	83	93	12	19	207	638	195	833	1,040	2,088
Repairs and maintenance	226	52	1	5	284	509	37	546	830	514
Insurance	-	-	-	-	-	342	3	345	345	104
Printing	23	90	248	15	376	131	6,955	7,086	7,462	8,468
Depreciation and amortization	118	135	23	72	348	2,105	475	2,580	2,928	2,447
Interest	202	-	-	-	202	1,359	2	1,361	1,563	1,112
Other	33	21	22	-	76	420	109	529	605	353
<b>Totals</b>	<b>\$355,738</b>	<b>\$92,917</b>	<b>\$2,789</b>	<b>\$2,057</b>	<b>\$453,501</b>	<b>\$32,264</b>	<b>\$56,040</b>	<b>\$88,304</b>	<b>\$541,805</b>	<b>\$527,554</b>

World Vision



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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.