World Vision®

Building a better world for children

WORLD VISION, INC. AND AFFILIATES

Consolidated Financial Statements

(With Independent Auditors' Report Thereon)

September 30, 2011 and 2012

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

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, 2011 and 2012, 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, 2011 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

December 17, 2012

In Thousands of Dollars | September 30, 2011 and 2012

Consolidated Statements of Financial Position

Assets	Notes	2011	2012
Cash and cash equivalents		$7,655	$4,983
Accounts receivable from the United States Agency for International Development (USAID)		22,745	17,311
Accounts, notes, and other receivables, net		700	1,700
Marketable securities	*note 3*	10,409	19,725
Investments in pooled funds	*note 3*	86,279	50,707
Real estate held as investment		2,006	3,049
Inventory, net	*note 5*	57,420	54,948
Other assets		13,470	10,805
Prepaid funding		1,544	1,257
Fixed assets, net	*note 6*	60,979	59,217
Charitable trusts receivable	*note 3*	10,244	10,403
Assets held in trust	*note 3*	14,392	15,108
Total assets		$287,843	$249,213

Liabilities and net assets	Notes	2011	2012
Liabilities:			
Accounts payable and accrued expenses		$19,983	$24,543
Due to World Vision International		76,868	80,851
Notes payable	*note 7*	5,107	5,041
Accrued pension liability	*note 15*	13,070	7,826
Charitable gift annuities		4,813	4,914
Deferred revenue		9,184	5,788
Amounts held for others	*note 9*	10,269	11,022
Total liabilities		139,294	139,985
Net assets:			
Unrestricted	*note 10*	48,823	43,065
Temporarily restricted	*note 10*	92,881	58,851
Permanently restricted	*note 10*	6,845	7,312
Total net assets		148,549	109,228
TOTAL LIABILITIES AND NET ASSETS		$287,843	$249,213

See accompanying notes to consolidated financial statements.

In Thousands of Dollars | September 30, 2011 and 2012

Consolidated Statements of Activities

	2011				
	Notes	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:					
Contributions, primarily private cash		$34,940	$520,063	$1,363	$556,366
Public cash and food commodity grants	*note 11*	198,654	—	—	198,654
Gifts-in-kind	*note 12*	36,458	254,441	—	290,899
Other income, net		9,946	2,617	(135)	12,428
Net assets released due to expiration of time:					
Split-interest agreements		630	(630)	—	—
Net assets released due to satisfaction of program restrictions		784,438	(784,438)	—	—
Total support and revenue		**$1,065,066**	**($7,947)**	**$1,228**	**$1,058,347**
Operating expenses:					
Program services:	*note 13*				
International programs		828,438	—	—	828,438
Domestic programs		92,405	—	—	92,405
Public awareness and education		6,310	—	—	6,310
Total program services		**927,153**	**—**	**—**	**927,153**
Supporting services:					
Management and general		50,200	—	—	50,200
Fundraising		101,702	—	—	101,702
Total suporting services		**151,902**	**—**	**—**	**151,902**
TOTAL OPERATING EXPENSES		**1,079,055**	**—**	**—**	**1,079,055**
Change in net assets before the pension actuarial loss		(13,989)	(7,947)	1,228	(20,708)
Pension actuarial loss	*note 15*	(5,145)	—	—	(5,145)
CHANGE IN NET ASSETS		**(19,134)**	**(7,947)**	**1,228**	**(25,853)**
Net assets, beginning of year		67,957	100,828	5,617	174,402
NET ASSETS, END OF YEAR		**$48,823**	**$92,881**	**$6,845**	**$148,549**

See accompanying notes to consolidated financial statements.

In Thousands of Dollars | September 30, 2011 and 2012 World Vision, Inc. and Affiliates

	2012				
	Notes	Unrestricted	Temporarily restricted	Permanently restricted	Total
Support and revenue:					
Contributions, primarily private cash		$55,339	$510,903	$484	$566,726
Public cash and food commodity grants	*note 11*	174,520	—	—	174,520
Gifts-in-kind	*note 12*	37,971	221,376	—	259,347
Other income, net		13,775	4,358	(17)	18,116
Net assets released due to expiration of time:					
Split-interest agreements		563	(563)	—	—
Net assets released due to satisfaction of program restrictions		770,104	(770,104)	—	—
Total support and revenue		$1,052,272	($34,030)	$467	$1,018,709
Operating expenses:					
Program services:	*note 13*				
International programs		813,710	—	—	813,710
Domestic programs		83,932	—	—	83,932
Public awareness and education		4,954	—	—	4,954
Total program services		902,596	—	—	902,596
Supporting services:					
Management and general		52,688	—	—	52,688
Fundraising		106,977	—	—	106,977
Total suporting services		159,665	—	—	159,665
TOTAL OPERATING EXPENSES		1,062,261	—	—	1,062,261
Change in net assets before the pension actuarial gain		(9,989)	(34,030)	467	(43,552)
Pension actuarial gain	*note 15*	4,231	—	—	4,231
CHANGE IN NET ASSETS		(5,758)	(34,030)	467	(39,321)
Net assets, beginning of year		48,823	92,881	6,845	148,549
NET ASSETS, END OF YEAR		$43,065	$58,851	$7,312	$109,228

See accompanying notes to consolidated financial statements.

In Thousands of Dollars | September 30, 2011 and 2012

Consolidated Statement of Functional Expenses

	2011 Program Services			
	International programs	Domestic programs	Public awareness and education	Total program services
Funding of World Vision International and U.S. domestic programs:				
Child sponsorship	$241,422	$—	$—	$241,422
Relief and rehabilitation, community development, and Christian impact and leadership projects	319,411	—	—	319,411
Gifts-in-kind	169,480	70,219	—	239,699
Other international relief and development programs	73,580	—	—	73,580
Gifts to other ministries	—	5,345	—	5,345
Community development and subgrantee expenses	—	150	—	150
Salaries and benefits	16,633	10,395	3,730	30,758
Professional services	1,675	384	1,011	3,070
Media and advertising	7	72	178	257
Freight and postage	300	74	115	489
Printing	10	89	184	283
Travel	1,484	1,071	517	3,072
Telephone and communication	354	174	44	572
Occupancy	750	2,604	111	3,465
Supplies	2,190	472	221	2,883
Equipment	224	171	38	433
Repairs and maintenance	285	401	33	719
Interest	3	2	1	6
Depreciation	510	735	84	1,329
Other	120	47	43	210
TOTALS	**$828,438**	**$92,405**	**$6,310**	**$927,153**

In Thousands of Dollars | September 30, 2011 and 2012 World Vision, Inc. and Affiliates

	2011 Supporting Services			
	Management and general	Fundraising	Supporting services	Total 2011
Funding of World Vision International and U.S. domestic programs:				
Child sponsorship	$—	$—	$—	$241,422
Relief and rehabilitation, community development, and Christian impact and leadership projects	—	—	—	319,411
Gifts-in-kind	—	—	—	239,699
Other international relief and development programs	—	—	—	73,580
Gifts to other ministries	—	—	—	5,345
Community development and subgrantee expenses	—	—	—	150
Salaries and benefits	24,961	42,120	67,081	97,839
Professional services	4,294	14,915	19,209	22,279
Media and advertising	274	15,158	15,432	15,689
Freight and postage	607	8,816	9,423	9,912
Printing	322	9,356	9,678	9,961
Travel	1,221	4,761	5,982	9,054
Telephone and communication	506	712	1,218	1,790
Occupancy	2,006	2,435	4,441	7,906
Supplies	552	910	1,462	4,345
Equipment	733	533	1,266	1,699
Repairs and maintenance	2,712	536	3,248	3,967
Interest	5	2	7	13
Depreciation	6,043	1,292	7,335	8,664
Other	5,964	156	6,120	6,330
TOTALS	$50,200	$101,702	$151,902	$1,079,055

See accompanying notes to consolidated financial statements.

In Thousands of Dollars | September 30, 2011 and 2012

Consolidated Statement of Functional Expenses

	2012 Program Services			
	International programs	Domestic programs	Public awareness and education	Total program services
Funding of World Vision International and U.S. domestic programs:				
Child sponsorship	$262,921	$—	$—	$262,921
Relief and rehabilitation, community development, and Christian impact and leadership projects	308,006	—	—	308,006
Gifts-in-kind	154,227	61,329	—	215,556
Other international relief and development programs	63,244	—	—	63,244
Gifts to other ministries	—	7,691	—	7,691
Community development and subgrantee expenses	—	161	—	161
Salaries and benefits	17,316	8,482	3,352	29,150
Professional services	1,669	561	542	2,772
Media and advertising	9	47	163	219
Freight and postage	350	74	101	525
Printing	56	18	63	137
Travel	1,349	768	385	2,502
Telephone and communication	386	151	40	577
Occupancy	715	2,261	121	3,097
Supplies	2,677	544	115	3,336
Equipment	124	58	32	214
Repairs and maintenance	178	480	13	671
Interest	—	1	—	1
Depreciation	441	1,123	12	1,576
Other	42	183	15	240
TOTALS	$813,710	$83,932	$4,954	$902,596

In Thousands of Dollars | September 30, 2011 and 2012 World Vision, Inc. and Affiliates

	2012 Supporting Services			
	Management and general	Fundraising	Supporting services	Total 2012
Funding of World Vision International and U.S. domestic programs:				
Child sponsorship	$—	$—	$—	$262,921
Relief and rehabilitation, community development, and Christian impact and leadership projects	—	—	—	308,006
Gifts-in-kind	—	—	—	215,556
Other international relief and development programs	—	—	—	63,244
Gifts to other ministries	—	—	—	7,691
Community development and subgrantee expenses	—	—	—	161
Salaries and benefits	26,892	45,291	72,183	101,333
Professional services	6,467	18,302	24,769	27,541
Media and advertising	388	13,828	14,216	14,435
Freight and postage	533	9,095	9,628	10,153
Printing	218	8,633	8,851	8,988
Travel	1,441	5,116	6,557	9,059
Telephone and communication	554	741	1,295	1,872
Occupancy	1,986	2,490	4,476	7,573
Supplies	481	839	1,320	4,656
Equipment	1,069	498	1,567	1,781
Repairs and maintenance	3,120	363	3,483	4,154
Interest	—	—	—	1
Depreciation	4,453	1,623	6,076	7,652
Other	5,086	158	5,244	5,484
TOTALS	**$52,688**	**$106,977**	**$159,665**	**$1,062,261**

See accompanying notes to consolidated financial statements.

In Thousands of Dollars | September 30, 2011 and 2012

Consolidated Statements of Cash Flows

Cash flows from operating activities:	2011	2012
Change in net assets	($25,853)	($39,321)
Adjustment to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Pension actuarial loss/(gain)	5,145	(4,231)
Depreciation and amortization	8,664	7,652
Realized and unrealized loss/(gain) on investments	943	(4,673)
Loss on disposal of equipment	197	52
Marketable securities and noncash contributions	(7,987)	(16,506)
Noncash decrease in inventory, net	20,932	2,472
Contributions restricted for investment in endowment	(1,363)	(484)
Changes in operating assets and liabilities:		
Accounts receivable from USAID	(1,198)	5,434
Accounts and other receivables	211	(1,002)
Other assets	(6,380)	2,750
Prepaid funding	159	287
Charitable trusts receivable	2,175	927
Assets held in trust	571	(716)
Accounts payable and accrued expenses	(2,163)	4,560
Accrued pension contribution	(1,685)	(1,013)
Due to World Vision International	21,605	3,983
Charitable gift annuities	55	101
Deferred revenue	(5,510)	(3,396)
Amount held for others	21	753
Net cash provided by/(used in) operating activities	**$8,539**	**($42,371)**
Cash flows from investing activities		
Purchase of marketable securities	($1,021)	($15,203)
Proceeds from the sale of marketable securities	6,655	20,427
Purchase of investment in pooled funds	(184,969)	(191,765)
Proceeds from the sale of investment in pooled funds	171,625	230,513
Acquisition of fixed assets	(7,444)	(5,942)
Proceeds from sale of equipment	9	—
Proceeds from sales of donated real estate held as investment	178	1,249
Principal collected on notes receivable	84	2
Net cash (used in)/provided by investing activities	**($14,883)**	**$39,281**
Cash flows from financing activities		
Proceeds from contributions restricted for investment in endowment	$1,363	$484
Principal payments on notes payable	(188)	(66)
Net cash provided by financing activities	**1,175**	**418**
Net change in cash and cash equivalents	**(5,169)**	**(2,672)**
Cash and cash equivalents, beginning of year	12,824	7,655
CASH AND CASH EQUIVALENTS, END OF YEAR	**$7,655**	**$4,983**
Cash paid during the year for interest	**$13**	**$1**

See accompanying notes to consolidated financial statements.

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(1) 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.

The Organization 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. The Organization provides emergency relief and long-term community development programs, including local leadership training, in nearly 100 countries around the world. The Organization also educates the public on poverty- and justice-related issues and advocates on behalf of the impoverished and oppressed. The Organization serves all people, regardless of religion, race, ethnicity, or gender. The Organization strives to maximize its impact by partnering with other development groups, local organizations, and churches. The majority of World Vision, Inc. programs are carried out worldwide through World Vision International, a related entity. World Vision, Inc. makes funding commitments to World Vision International during each fiscal year. As a result, World Vision, Inc. incurs a payable to World Vision International and satisfies this payable by remitting cash throughout the year. 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 Organization follows the guidance of Accounting Standards Codification (ASC) 740, Accounting for Income Taxes (ASC 740), related to uncertainties in income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. There are no such uncertain tax positions for the Organization for the years ended September 30, 2011 and 2012.

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, 100% of the membership interest of TBPLLC was contributed to World Vision, Inc.

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(2) Summary of Significant Accounting Policies

(a) 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 (GAAP).

(b) 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.

(c) 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, 2011 and 2012, due to the relatively short maturity of these instruments.

(d) Cash Equivalents

Cash equivalents consist primarily of money market instruments with original maturities of three months or less at the date of acquisition and are considered Level 1 investments.

(e) Concentration of Credit Risk

The Organization maintains interest-bearing deposits in a commercial bank that are in excess of Federal Deposit Insurance Corporation insurance limits at September 30, 2011 and 2012. 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.

(f) Accounts, Notes, and Other Receivables

Accounts, notes, and other receivables consist of trade receivables, notes receivable, and pledges receivable. 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 cost, less an allowance for uncollectible accounts. The allowance for uncollectible accounts for the years ended September 30, 2011 and 2012 was $349 and $478, 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 their estimated future cash flows. The discounts on those amounts are computed at the rate commensurate with the risks involved and upon the rate applicable to the year in which the promise is received. Conditional promises to give are not included as support or pledges receivable until such time as the conditions are substantially met. As of September 30, 2012, the Organization had outstanding $32,579 in conditional promises to give. Of the conditional promises to give outstanding, $27,676 was conditioned upon the raising of matching funds and $4,903 was conditioned upon the completion of specific programmatic performance milestones.

(2) Summary of Significant Accounting Policies, *continued*

(g) Investments

Investments are stated at fair value, except for notes receivable, which are stated at cost. 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.

The Organization's marketable securities consist of securities held in trust at Kaspick & Company and securities donated to the Organization not yet liquidated.

The Organization pools its investments to manage its cash needs and to maximize returns. These pooled investments include those internally or donor-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. Investment transactions are recognized on a trade-date basis.

(h) 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 contrary to the values 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; however, some designated funds have donor-imposed restrictions. 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. 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, agreements generally include terms stating the recommendations of the donor as to the amount, timing, and purpose of the distributions to the Organization's programs, which the Organization typically follows. Donor-imposed restrictions are honored by the Organization. Grants of designated funds are recorded as program expenses.

(i) Property and Equipment

Land, buildings and leasehold improvements, equipment, and computer software are recorded at cost when purchased and at estimated fair 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, seven to forty years for buildings and building improvements, three to eight years for computer software, and lesser of useful life or life of the lease on capital leases and leasehold improvements.

The costs of repairs and maintenance, and depreciation, are charged to expense when incurred. Upon sale or retirement of the property and equipment, the related cost and accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in the consolidated statements of activities.

Property and equipment are reviewed each year for impairment or 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.

(2) Summary of Significant Accounting Policies, *continued*

(j) Charitable Trusts Receivable

Charitable trusts are 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 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.

(k) 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, which is reported as amounts held for others. 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 Kaspick & Company.

(l) 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. The assets to fund these liabilities are maintained in a separate and distinct fund and are invested in accordance with applicable state laws and reserve requirements. In addition to these assets, the Organization set aside an additional gift annuity reserve of $2,720 and $2,645 at September 30, 2011 and 2012, respectively, which is included in investments in pooled funds. 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 termination of the annuity contract, the remaining liability is recognized as change in value of split-interest revenue.

(m) 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 comprise 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 are imposed or implied by the nature of the gift (pledges to be paid in the future, life-income funds, and unappropriated earnings of permanent endowments). When a restriction is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements 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.

(2) Summary of Significant Accounting Policies, *continued*

(n) 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.

(o) 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 (USAID) are valued using guidelines published by the United States Department of Agriculture and USAID. Food inventory and deferred revenue are recorded when the Organization receives title to the food. Fair value is determined by reference to cost values provided by the donor, as well as costs incurred by World Vision.

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.

(p) Gifts-in-Kind

Gifts-in-kind (GIK) received through private donations are recorded in accordance with GAAP and industry standards, referred to as the Interagency GIK Standards, as developed by an interagency task force appointed by Accord. Accord is an organization that serves Christian organizations and churches involved in the shared vision of eliminating poverty, working to achieve the highest standards, principles, and effectiveness in relief and development. GIK are valued and recorded as revenue at their estimated fair value based upon the Organization's estimate of the wholesale values that would be received for selling the goods in their principal exit market considering their condition and utility for use at the time the goods are contributed by the donor. The Organization does not sell donated GIK and only distributes the goods for program use.

Pharmaceutical contributions legally permissible for sale in the United States are valued using a hierarchy of pricing inputs that approximates wholesale prices in the United States. Pharmaceutical contributions not legally permissible for sale in the United States are valued based upon wholesale market price data obtained from a reliable third party source, in countries representing principal exit markets where such products are approved for sale.

Nonpharmaceutical contributions received by the Organization have been valued at their estimated wholesale value as provided by the donor, as well as "like-kind" methodology that references United States wholesale pricing data for similar products.

GIK expense is recorded when the goods are distributed for program use. While it is the Organization's policy to distribute GIK as promptly as possible, undistributed GIK is 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.

(q) Other Income

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

(r) Contributed Services

A substantial number of volunteer workers have donated significant amounts of their time to the Organization that are not reflected in the accompanying consolidated financial statements, as the services provided do not meet the required criteria for recognition of revenue.

(s) 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

(2) Summary of Significant Accounting Policies, *continued*

aggregate liability for claims incurred. The Organization holds a stop-loss policy that limits the maximum liability for benefits payable under such claims. Adjustments to expenses resulting from changes in historical loss trends have been insignificant for the years ended September 30, 2011 and 2012. 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.

(t) Program Services

International Programs – The Organization partners with families and communities to find ways to overcome poverty, helping them obtain sustainable access to basic resources such as clean water, nutritious food, basic healthcare, education, income-generating opportunities, and other services. One of the Organization's primary funding sources for this work is child sponsorship, through which the Organization's staff in impoverished communities seek to improve children's physical, emotional, and spiritual well-being. Additionally, the Organization responds to natural and man-made disasters to save lives and help restore livelihoods.

Domestic Programs – The Organization works with local churches, teachers, business owners, students, and volunteers throughout the country as they seek to serve distressed communities and neighborhoods in a variety of U.S. locations. This work is carried out in part through the Organization's network of product distribution centers, emergency assistance efforts, and tutoring and youth development programs.

Public Awareness and Education – The Organization seeks to help both the public and government officials gain awareness and take action on poverty- and justice-related issues, and advocates on behalf of children and the poor to increase understanding, involvement, and prayer.

(u) 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, international programs, and public awareness have been allocated as indicated among the ministry and supporting services benefited.

(3) Fair Value and Investments

Fair value is defined as the price that the Organization would receive upon selling an asset in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset. A three-tier hierarchy, based upon observable and unobservable inputs, is used for fair value measurements. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Observable inputs are those that reflect assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are those that reflect the reporting entity's own assumptions in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable, including the Organization's own assumptions in determining the fair value of assets.

In some cases, inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level within which the asset falls is determined based on the lowest level input that is significant to the asset in its

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(3) Fair Value and Investments, *continued*

entirety. Assessing the significance of a particular input to the asset in its entirety requires judgment and considers factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Organization's perceived risk of liquidity for that asset.

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2011:

Marketable securities:	September 30, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Government securities	$104	$—	$104	$—
Equity securities	385	230	—	155
Mutual funds:				
Domestic equities	3,738	3,738	—	—
International equities	203	203	—	—
Domestic bonds	5,253	5,253	—	—
Corporate bonds	726	—	726	—
Total marketable securities	**$10,409**	**$9,424**	**$830**	**$155**
Investments in pooled funds:				
Cash equivalents	$24,047	$24,047	$—	$—
Equity securities	23,313	23,313	—	—
Mutual funds:				
Domestic equities	6,187	6,187	—	—
International equities	1,992	1,992	—	—
Domestic bonds	5,511	5,511	—	—
Real estate investment trusts	1,173	1,173	—	—
Residential mortgage-backed securities	189	—	189	—
Corporate bonds	925	—	925	—
Master limited partnerships	15,335	15,335	—	—
Other assets	2,228	—	—	2,228
Total investments	**$80,900**	**$77,558**	**$1,114**	**$2,228**
Charitable trusts receivable	$10,244	$—	$—	$10,244

Assets held in trust:	September 30, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$248	$248	$—	$ —
Mutual funds:				
Domestic equities	1,941	1,941	—	—
International equities	794	794	—	—
Domestic bonds	6,368	6,368	—	—
Total assets held in trust	**$9,351**	**$9,351**	**$—**	**$—**

In the consolidated statements of financial position, total investments in pooled funds include $5,379 of notes receivable and total assets held in trust include $5,041 of notes receivable in addition to the assets held at fair value. These notes receivable are held at face value and thus excluded from this disclosure.

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(3) Fair Value and Investments, *continued*

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2012:

Marketable securities:	September 30, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Government securities	$358	$—	$358	$—
Equity securities	295	152	—	143
Mutual funds:				
Domestic equities	8,360	8,360	—	—
International equities	1,905	1,905	—	—
Domestic bonds	8,807	8,807	—	—
Corporate bonds	—	—	—	—
Total marketable securities	**$19,725**	**$19,224**	**$358**	**$143**
Investments in pooled funds:				
Cash equivalents	$2,202	$2,202	$—	$—
Equity securities	18,294	18,294	—	—
Mutual funds:				
Domestic equities	5,108	5,108	—	—
International equities	1,402	1,402	—	—
Domestic bonds	3,196	3,196	—	—
Real estate investment trusts	1,365	1,365	—	—
Residential mortgage-backed securities	94	—	94	—
Corporate bonds	1,125	1	1,124	—
Master limited partnerships	10,345	10,345	—	—
Other assets	2,228	—	—	2,228
Total investments	**$45,359**	**$41,913**	**$1,218**	**$2,228**
Charitable trusts receivable	$10,403	$—	$—	$10,403
Assets held in trust:				
Cash equivalents	$316	$316	$—	$—
Mutual funds:				
Domestic equities	2,621	2,621	—	—
International equities	1,592	1,592	—	—
Domestic bonds	5,538	5,538	—	—
Total assets held in trust	**$10,067**	**$10,067**	**$—**	**$—**

In the consolidated statements of financial position, total investments in pooled funds include $5,348 of notes receivable and total assets held in trust include $5,041 of notes receivable in addition to the assets held at fair value. These notes receivable are held at face value and thus excluded from this disclosure.

The majority of the investments held by the Organization have been classified within Level 1. The Organization holds some investments, marketable securities, and assets held in trust within Level 2 in which the fair value is determined through the use of models or other valuation methodologies. Level 2 investments include mortgage-backed securities, government securities, and corporate bonds.

The Organization holds investments in four limited partnerships classified within Level 3. The value of these investments is based upon appraisals. The Organization also records the fair value of charitable trusts receivable using present value calculations discounted at the rate commensurate with the risks involved. This method of valuation is considered

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(3) Fair Value and Investments, *continued*

to be Level 3. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed, but the Organization does not expect the difference to be material. The following table is a roll-forward of the consolidated statements of financial position amounts for marketable securities, investments, and charitable trusts receivable classified by the Organization within Level 3 of the fair value hierarchy. The net change in value for charitable trusts receivable is the change in value from actuarial derived fluctuations. There were no transfers between Level 1 and Level 2 during the year ended September 30, 2012.

	Marketable securities	Investments	Charitable trusts receivable
Balance at September 30, 2010	$160	$2,228	$11,513
New contributions	112	—	906
Sales	(117)	—	—
Net change in value	—	—	(2,175)
Balance at September 30, 2011	**155**	**2,228**	**10,244**
New contributions	71	—	1,086
Sales	(83)	—	—
Net change in value	—	—	(927)
Balance at September 30, 2012	**$143**	**$2,228**	**$10,403**

(4) Endowments

The Organization's board has interpreted the California State Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the Organization to appropriate for expenditure or accumulate as much of an endowment fund as the Organization determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of a donor expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the Organization. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

During the year ended September 30, 2011, the Organization had five donor-restricted endowment funds totaling $7,065 and one board-designated endowment fund totaling $117. During the year ended September 30, 2012, the Organization had five donor-restricted endowment funds totaling $7,123 and one board-designated endowment fund totaling $135. During the years ended September 30, 2011 and 2012, these endowments had a net investment return of $738 and $235, and appropriated for expenditure $503 and $312, respectively.

(5) Inventory

Inventory, which comprises 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:

	2011	2012
GIK inventory	$57,454	$54,140
Food held for monetization	445	1,172
	57,899	55,312
Provision for GIK obsolescence	(479)	(364)
	$57,420	**$54,948**

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(6) Fixed Assets

Fixed assets comprised the following at September 30:

	2011	2012
Land	$6,830	$6,830
Buildings and leasehold improvements	50,575	51,110
Equipment	24,487	24,276
Computer software	39,491	43,758
	121,383	125,974
Less accumulated depreciation and amortization	(60,404)	(66,757)
	$60,979	**$59,217**

Depreciation and amortization expense for the years ended September 30, 2011 and 2012 was $8,664 and $7,652, respectively.

(7) Notes Payable

Notes payable consisted of the following at September 30:

	2011	2012
7.07% note, interest only, due 2013	$5,041	$5,041
7.50% note, interest and principal due quarterly, due 2012	66	—
	$5,107	**$5,041**

Debt maturity	
2013	5,041
	$5,041

(8) Obligations Under Operating Leases

The Organization has commitments related to operating leases for building facilities and equipment at September 30, 2011 and 2012. All operating leases are noncancelable and expire on various dates by 2021.

Future minimum lease payments under noncancelable operating leases with initial or remaining terms of one year or more at September 30, 2012 are as follows:

Year ending September 30	Operating leases
2013	$1,741
2014	1,552
2015	1,244
2016	1,127
2017	1,145
Thereafter	950
	$7,759

Lease and rent expenses for the years ended September 30, 2011 and 2012 were $3,283 and $2,871, respectively.

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(9) 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 a rate commensurate with the risks involved, which have ranged between 2.8% and 7.0%. The amounts held belong to various investment funds held in trust by the Organization and were as follows at September 30:

	2011	2012
Exchange portion of charitable lead trusts, charitable remainder trusts, and life estates	$10,128	$10,871
Refundable advances of revocable trusts and missions agreements	141	151
	$10,269	**$11,022**

(10) Net Assets

Unrestricted net assets comprise the following at September 30:

	2011	2012
Working capital and net fixed assets	$15,072	($7,744)
Donor advised funds and designated funds	18,912	30,946
Charitable gift annuities	1,477	1,894
Undistributed GIK contributions	26,432	25,795
Underfunded status of pension plan	(13,070)	(7,826)
	$48,823	**$43,065**

The deficit position for working capital and net fixed assets represents a decision to increase cash funding to programs benefiting families and communities in fiscal year 2012, despite a shortfall in donations. The Organization expects to recover this shortfall in future years. The Organization's objective for financial liquidity and reserves is to operate in a prudent range of stability, while recognizing the imperative of distributing maximum funds to mission as quickly as possible. In doing so, the Organization takes into account available borrowings for real estate which has been purchased outright rather than financed.

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

	2011	2012
Child sponsorship and childcare ministries	$10,832	$4,397
Relief and rehabilitation, community development, and Christian impact and leadership projects	35,976	11,156
Domestic programs	434	514
Term endowments, the income from which is expendable to support World Vision programs	1,103	1,095
Split-interest agreements, the income from which is unrestricted upon the expiration of certain time restrictions	12,061	11,844
Designated funds	1,932	1,865
Undistributed GIK contributions	30,543	27,980
	$92,881	**$58,851**

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(10) Net Assets, *continued*

Permanently restricted net assets consist of the following at September 30:

	2011	2012
Endowments invested in perpetuity, the income from which is expendable to support World Vision programs	$5,728	$5,871
Perpetual trusts	1,117	1,441
	$6,845	$7,312

(11) 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 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:	2011	2012
Cash awards from USAID	$104,916	$96,978
Cash awards from other agencies	15,982	21,467
Total cash grants	$120,898	$118,445
Food monetization grants:		
Cash and freight awards from USAID	$8,480	$3,990
Cash and freight awards from other agencies	43	14
Total food monetization grants	$8,523	$4,004
Food distribution grants:		
Food commodities from USAID	$18,136	$8,824
Food commodities from World Food Program	36,725	29,579
Food commodities from other agencies	—	5,604
Cash freight awards from USAID	6,708	1,570
Cash freight awards from World Food Program	7,615	6,393
Cash freight awards from other agencies	49	101
Total food distribution grants	69,233	52,071
TOTAL CASH & FOOD COMMODITY GRANTS	$198,654	$174,520

(12) Gift-in-Kind Revenue

GIK revenue has been allocated for use as follows:

	2011	2012
World Vision programs	$202,545	$192,447
Other nonprofit organizations	88,354	66,900
	$290,899	$259,347

GIK revenue for the year consisted of donations of:

	2011	2012
Pharmaceuticals	$118,364	$89,312
Clothing and household goods	86,256	79,789
Books	47,023	63,230
Building supplies	12,730	10,761
Office supplies	11,112	7,200
Medical supplies	11,074	5,698
Other	4,340	3,357
	$290,899	$259,347

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(13) Program Services

Program services have been funded by the following resources:

	2011			2012		
	International programs	Domestic programs	Public awareness and education	International programs	Domestic programs	Public awareness and education
Cash	$528,700	$22,186	$6,310	$563,035	$22,603	$4,954
Gifts-in-kind	231,328	70,219	—	201,056	61,329	—
Food commodities	68,410	—	—	49,619	—	—
TOTAL PROGRAM SERVICES	**$828,438**	**$92,405**	**$6,310**	**$813,710**	**$83,932**	**$4,954**

(14) 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 international programs, public awareness, fundraising, or management and general. These expenses were allocated by their functional classification as follows at September 30:

	2011	2012
Management and general	$980	$1,011
Fundraising	4,659	3,526
Public awareness and education	979	498
International programs	1,455	1,541
	$8,073	**$6,576**

(15) Cash Balance Retirement Plan

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.

The following table sets forth the actuarial assumptions related to the Plan. Assumptions as of September 30, 2011 and 2012 are as follows:

	2011	2012
Discount rate	4.00%	3.05%
Expected return on plan assets	7.00	7.00
Rate of compensation increase	4.00	4.00

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 expected return on plan assets represents the long-term rate of return that the Organization assumes will be earned over the life of the plan assets. Management believes the assumed rate is conservative based on historical returns.

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(15) Cash Balance Retirement Plan, *continued*

The following table provides a reconciliation of benefit obligations, plan assets, and funded status of the Plan for the years ended September 30:

	2011		2012	
Change in projected benefit obligations:	World Vision, Inc.	Total Plan	World Vision, Inc.	Total Plan
Projected benefit obligations at beginning of year	**$63,901**	**$91,931**	**$69,759**	**$99,841**
Service cost	3,928	5,640	4,283	6,186
Interest cost	2,375	3,769	2,402	3,632
Changes in assumptions	2,344	3,448	3,639	7,590
Actuarial (gain)/loss	(566)	(811)	1,600	2,315
Benefits paid	(2,101)	(3,961)	(2,678)	(5,231)
Expenses paid	(122)	(175)	(112)	(161)
Projected benefit obligations at end of year	**$69,759**	**$99,841**	**$78,893**	**$114,172**
Accumulated benefit obligations at end of year	**$62,524**	**$89,487**	**$70,059**	**$101,388**

	2011		2012	
Change in plan assets:	World Vision, Inc.	Total Plan	World Vision, Inc.	Total Plan
Plan assets at fair value at beginning of year	$54,291	$78,105	$56,689	$81,135
Actual return on plan assets	(758)	(1,084)	13,028	18,854
Employer contributions	5,500	8,250	5,500	8,250
Benefits paid	(2,101)	(3,961)	(2,678)	(5,231)
Expenses paid	(122)	(175)	(112)	(161)
Changes in assumptions	(121)	—	(1,360)	—
Plan assets at fair value at end of year	**$56,689**	**$81,135**	**$71,067**	**$102,847**

	2011		2012	
	World Vision, Inc.	Total Plan	World Vision, Inc.	Total Plan
Funded status	**($13,070)**	**($18,706)**	**($7,826)**	**($11,326)**
Amounts recognized in the statement of financial position consist of:				
Funded status liability	($13,070)	($18,706)	($7,826)	($11,326)
Total amount recognized	**($13,070)**	**($18,706)**	**($7,826)**	**($11,326)**
Amounts recognized in the change in unrestricted net assets under ASC 715 consist of:				
Pension actuarial loss/(gain)	$5,145	$7,671	($4,231)	($5,624)

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(15) Cash Balance Retirement Plan, *continued*

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

	2011		2012	
	World Vision, Inc.	Total Plan	World Vision, Inc.	Total Plan
Service cost	$3,928	$5,640	$4,283	$6,186
Interest cost	2,375	3,769	2,402	3,632
Expected return on plan assets	(3,267)	(5,184)	(3,528)	(5,335)
Amortization of net loss	779	1,234	1,330	2,011
Net periodic benefit cost	**$3,815**	**$5,459**	**$4,487**	**$6,494**

World Vision employs an asset allocation investment strategy designed to achieve a diversified portfolio mix that will maximize return while maintaining a moderate risk profile. The Plan does not employ leverage and is prohibited by Board policy from investing in derivative financial instruments.

(a) Fair Value of Plan Assets

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2011:

	September 30, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$197	$197	$—	$—
Mutual funds:				
Domestic	37,638	37,638	—	—
International	10,656	10,656	—	—
Bond	10,957	10,957	—	—
Equity securities	11,174	11,129	45	—
Real estate investment trusts	915	915	—	—
Corporate bonds	1,878	—	1,878	—
Master limited partnerships	7,018	7,018	—	—
Other assets	702	702	—	—
Total plan assets	**$81,135**	**$79,212**	**$1,923**	**$—**

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2012:

	September 30, 2012	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash equivalents	$228	$228	$—	$—
Mutual funds:				
Domestic	44,477	44,477	—	—
International	13,003	13,003	—	—
Bond	20,439	20,439	—	—
Equity securities	13,285	13,153	132	—
Real estate investment trusts	1,225	1,225	—	—
Corporate bonds	1,179	—	1,179	—
Master limited partnerships	8,412	8,412	—	—
Other assets	599	599	—	—
Total plan assets	**$102,847**	**$101,536**	**$1,311**	**$—**

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(15) Cash Balance Retirement Plan, *continued*

The majority of the investments held by the Plan have been classified within Level 1. The Plan holds some investments within Level 2 in which the fair value is determined through other significant observable inputs. Level 2 investments include mortgage-backed securities, government securities, and corporate bonds.

(b) Estimated Future Payments

The Plan contribution for the year ending September 30, 2013 is expected to be $5,500 and $8,250 for World Vision, Inc. and the total Plan, respectively. Assuming all participants commenced benefit payments at age 65 in the form of an immediate lump-sum payout, the following schedule estimates future benefit payments, including expected future service:

	World Vision Inc.	Total Plan
2012-2013	$12,635	$18,952
2013-2014	6,572	9,858
2014-2015	7,098	10,646
2015-2016	7,443	11,165
2016-2017	5,874	8,811
Thereafter	32,738	49,108
	$72,360	$108,540

(16) Defined Contribution Retirement Plan

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 depending on years of service, not to exceed 5% of the participant's eligible earnings. The Organization contributed $1,289 and $1,355 for the years ended September 30, 2011 and 2012, respectively.

(17) 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 2011, 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.

(18) Subsequent Events

Subsequent events have been evaluated through December 17, 2012, which is the date the consolidated financial statements were available to be issued.

World Vision®

Building a better world for children

34834 Weyerhaeuser Way S.
P.O. Box 9716
Federal Way, WA 98063-9716

1.800.423.4200
worldvision.org

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.