



**WORLD VISION, INC. AND AFFILIATES**

Consolidated Financial Statements

September 30, 2017 and 2016

(With Independent Auditors' Report Thereon)



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 financial statements of World Vision, Inc. and affiliates, which comprise the consolidated statements of financial position as of September 30, 2017 and 2016, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of World Vision, Inc. and affiliates as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

Seattle, Washington  
December 8, 2017

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**WORLD VISION, INC. AND AFFILIATES**  
Consolidated Statements of Financial Position  
September 30, 2017 and 2016  
(In thousands of dollars)

<b>Assets</b>	<b>2017</b>	<b>2016</b>
Current assets:		
Cash and cash equivalents	\$ 15,412	7,356
Accounts and other receivables, net	7,634	9,874
Due from World Vision International	17,842	—
Grants receivable	21,323	18,805
Marketable securities (note 3)	10,236	11,127
Investments in pooled funds (note 3)	68,501	41,549
Inventory, net (note 5)	52,619	53,764
Other assets	16,054	12,779
Total current assets	<u>209,621</u>	<u>155,254</u>
Noncurrent assets:		
Marketable securities (note 3)	8,458	8,086
Investments in pooled funds (note 3)	12,626	11,804
Donated real estate	2,482	2,482
Fixed assets, net (note 6)	48,496	51,778
Charitable trusts receivable (note 3)	13,161	11,735
Assets held in trust (note 3)	14,093	13,540
Other assets	498	1,122
Total noncurrent assets	<u>99,814</u>	<u>100,547</u>
Total assets	<u>\$ 309,435</u>	<u>255,801</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 39,117	32,250
Due to World Vision International	—	2,872
Deferred revenue	26,841	20,372
Notes payable (note 7)	4,517	4,416
Total current liabilities	<u>70,475</u>	<u>59,910</u>
Noncurrent liabilities:		
Deferred revenue	920	763
Charitable gift annuities	4,929	4,954
Amounts held for others (note 9)	10,212	9,763
Accrued pension liability (note 15)	615	6,244
Notes payable, net of current portion (note 7)	16,387	20,599
Total noncurrent liabilities	<u>33,063</u>	<u>42,323</u>
Total liabilities	<u>103,538</u>	<u>102,233</u>
Net assets (note 10):		
Unrestricted	72,212	55,798
Temporarily restricted	124,730	89,343
Permanently restricted	8,955	8,427
Total net assets	<u>205,897</u>	<u>153,568</u>
Total liabilities and net assets	<u>\$ 309,435</u>	<u>255,801</u>

See accompanying notes to consolidated financial statements.

**WORLD VISION, INC. AND AFFILIATES**

Consolidated Statement of Activities

Year ended September 30, 2017

(In thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenue:				
Contributions, primarily private cash	\$ 44,692	526,886	320	571,898
Public cash and food commodity grants (note 11)	302,420	—	—	302,420
Gifts-in-kind (note 12)	47,017	111,106	—	158,123
Other income, net	9,700	1,305	208	11,213
Net assets released from restriction:				
Due to expiration of time (split-interest agreements)	708	(708)	—	—
Due to satisfaction of program restrictions	603,202	(603,202)	—	—
Total operating revenue	<u>1,007,739</u>	<u>35,387</u>	<u>528</u>	<u>1,043,654</u>
Operating expenses (note 1):				
Program services (note 13):				
International programs	756,891	—	—	756,891
Domestic programs	94,187	—	—	94,187
Public awareness and education	3,634	—	—	3,634
Total program services	<u>854,712</u>	<u>—</u>	<u>—</u>	<u>854,712</u>
Supporting services:				
Management and general	57,161	—	—	57,161
Fundraising	88,765	—	—	88,765
Total supporting services	<u>145,926</u>	<u>—</u>	<u>—</u>	<u>145,926</u>
Total operating expenses	<u>1,000,638</u>	<u>—</u>	<u>—</u>	<u>1,000,638</u>
Change in net assets from operating activities	7,101	35,387	528	43,016
Nonoperating activities:				
Investment and other losses	(2,053)	—	—	(2,053)
Unrealized gain on investments	3,990	—	—	3,990
Interest expense	(575)	—	—	(575)
Pension actuarial gain (note 15)	7,951	—	—	7,951
Change in net assets	16,414	35,387	528	52,329
Net assets, beginning of year	<u>55,798</u>	<u>89,343</u>	<u>8,427</u>	<u>153,568</u>
Net assets, end of year	\$ <u>72,212</u>	<u>124,730</u>	<u>8,955</u>	<u>205,897</u>

See accompanying notes to consolidated financial statements.

**WORLD VISION, INC. AND AFFILIATES**

Consolidated Statement of Activities

Year ended September 30, 2016

(In thousands of dollars)

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Operating revenue:				
Contributions, primarily private cash	\$ 38,960	510,638	176	549,774
Public cash and food commodity grants (note 11)	219,990	—	—	219,990
Gifts-in-kind (note 12)	63,167	173,523	—	236,690
Other income, net	7,294	400	135	7,829
Net assets released from restriction:				
Due to expiration of time (split-interest agreements)	498	(498)	—	—
Due to satisfaction of program restrictions	677,303	(677,303)	—	—
Total operating revenue	<u>1,007,212</u>	<u>6,760</u>	<u>311</u>	<u>1,014,283</u>
Operating expenses (note 1):				
Program services (note 13):				
International programs	753,609	—	—	753,609
Domestic programs	78,048	—	—	78,048
Public awareness and education	3,689	—	—	3,689
Total program services	<u>835,346</u>	<u>—</u>	<u>—</u>	<u>835,346</u>
Supporting services:				
Management and general	57,171	—	—	57,171
Fundraising	95,420	—	—	95,420
Total supporting services	<u>152,591</u>	<u>—</u>	<u>—</u>	<u>152,591</u>
Total operating expenses	<u>987,937</u>	<u>—</u>	<u>—</u>	<u>987,937</u>
Change in net assets from operating activities	19,275	6,760	311	26,346
Nonoperating activities:				
Investment and other losses	(4,089)	—	—	(4,089)
Unrealized gain on investments	7,064	—	—	7,064
Interest expense	(680)	—	—	(680)
Pension actuarial gain (note 15)	3,770	—	—	3,770
Change in net assets	25,340	6,760	311	32,411
Net assets, beginning of year	<u>30,458</u>	<u>82,583</u>	<u>8,116</u>	<u>121,157</u>
Net assets, end of year	\$ <u>55,798</u>	<u>89,343</u>	<u>8,427</u>	<u>153,568</u>

See accompanying notes to consolidated financial statements.

**WORLD VISION, INC. AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year ended September 30, 2017

(In thousands of dollars)

	Program services			Supporting services			Total	
	International programs	Domestic programs	Public awareness and education	Total program services	Management and general	Fundraising	Total supporting services	2017
Funding of World Vision International and U.S. domestic programs:								
Child sponsorship	\$ 218,935	—	—	218,935	—	—	—	218,935
Relief and rehabilitation, community development, and Christian impact and leadership projects	393,101	189	—	393,290	—	—	—	393,290
Gifts-in-kind	57,231	76,725	—	133,956	—	—	—	133,956
Gifts to other ministries	57,843	8,359	—	66,202	—	—	—	66,202
Salaries and benefits	19,118	4,486	2,614	26,218	30,275	44,688	74,963	101,181
Professional services	5,559	289	218	6,066	6,266	11,152	17,418	23,484
Media and advertising	111	24	217	352	4,690	8,824	13,514	13,866
Freight and postage	276	11	46	333	469	6,605	7,074	7,407
Printing	199	13	22	234	210	5,613	5,823	6,057
Travel	1,968	295	202	2,465	1,085	4,935	6,020	8,485
Occupancy	975	1,230	135	2,340	2,623	2,995	5,618	7,958
Equipment, repairs, and maintenance	156	387	35	578	3,489	1,174	4,663	5,241
Depreciation	476	929	—	1,405	2,093	1,246	3,339	4,744
Other	943	1,250	145	2,338	5,961	1,533	7,494	9,832
Totals	\$ 756,891	94,187	3,634	854,712	57,161	88,765	145,926	1,000,638

See accompanying notes to consolidated financial statements.

**WORLD VISION, INC. AND AFFILIATES**

Consolidated Statement of Functional Expenses

Year ended September 30, 2016

(In thousands of dollars)

	Program services			Supporting services			Total	
	International programs	Domestic programs	Public awareness and education	Total program services	Management and general	Fundraising	Total supporting services	2016
Funding of World Vision International and U.S. domestic programs:								
Child sponsorship	\$ 216,642	—	—	216,642	—	—	—	216,642
Relief and rehabilitation, community development, and Christian impact and leadership projects	298,947	97	—	299,044	—	—	—	299,044
Gifts-in-kind	157,443	62,199	—	219,642	—	—	—	219,642
Gifts to other ministries	51,400	6,417	—	57,817	—	—	—	57,817
Salaries and benefits	19,930	5,927	2,616	28,473	32,023	44,128	76,151	104,624
Professional services	3,396	277	227	3,900	5,027	15,625	20,652	24,552
Media and advertising	47	34	160	241	4,716	10,463	15,179	15,420
Freight and postage	245	16	32	293	419	6,657	7,076	7,369
Printing	159	10	20	189	123	6,122	6,245	6,434
Travel	2,458	367	271	3,096	1,180	4,945	6,125	9,221
Occupancy	1,064	1,178	116	2,358	2,391	3,062	5,453	7,811
Equipment, repairs, and maintenance	194	394	56	644	3,270	1,302	4,572	5,216
Depreciation	461	1,042	7	1,510	2,200	1,935	4,135	5,645
Other	1,223	90	184	1,497	5,822	1,181	7,003	8,500
Totals	\$ 753,609	78,048	3,689	835,346	57,171	95,420	152,591	987,937

See accompanying notes to consolidated financial statements.



**WORLD VISION, INC. AND AFFILIATES**

Consolidated Statements of Cash Flows

Years ended September 30, 2017 and 2016

(In thousands of dollars)

	<u>2017</u>	<u>2016</u>
Cash flows provided by/(used in) operating activities:		
Change in net assets	\$ 52,329	32,411
Adjustment to reconcile change in net assets to net cash provided by/(used in) operating activities:		
Pension actuarial gain	(7,951)	(3,770)
Depreciation and amortization	4,744	5,645
Net realized and unrealized gain on marketable securities and investments in pooled funds	(1,369)	(2,847)
Loss on disposal of equipment	182	265
Noncash contributions	(14,576)	(10,362)
Proceeds from the sale of donated marketable securities	7,831	7,096
Noncash decrease in inventory, net	1,145	53
Contributions restricted for investment in endowment	(581)	(176)
Other changes in operating assets and liabilities:		
Grants receivable	(2,518)	(6,855)
Accounts and other receivables, net	442	(4,273)
Other assets	(2,628)	(888)
Charitable trusts receivable	3,305	1,748
Assets held in trust	(553)	(1,129)
Accounts payable and accrued expenses	6,867	4,307
Due to/(due from) World Vision International	(20,714)	(7,338)
Charitable gift annuities	(25)	43
Deferred revenue	6,626	12,021
Amount held for others	449	806
Accrued pension liability	2,322	124
Net cash provided by operating activities	<u>35,327</u>	<u>26,881</u>
Cash flows provided by/(used in) investing activities:		
Purchase of marketable securities	(2,134)	(4,154)
Proceeds from the sale of marketable securities	7,217	3,850
Purchase of investments in pooled funds	(180,737)	(111,884)
Proceeds from the sale of investments in pooled funds	153,539	89,109
Acquisition of fixed assets	(1,654)	(4,960)
Proceeds from sale of fixed assets	10	87
Principal collected on notes receivable	13	11
Net cash used in investing activities	<u>(23,746)</u>	<u>(27,941)</u>
Cash flows provided by/(used in) financing activities:		
Contributions restricted for investment in endowment	581	176
Principal payments on notes payable	(4,106)	(4,002)
Net cash used in financing activities	<u>(3,525)</u>	<u>(3,826)</u>
Net change in cash and cash equivalents	8,056	(4,886)
Cash and cash equivalents, beginning of year	<u>7,356</u>	<u>12,242</u>
Cash and cash equivalents, end of year	\$ <u>15,412</u>	\$ <u>7,356</u>
Cash paid during the year for interest	\$ 575	680

See accompanying notes to consolidated financial statements.

## WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

(In thousands of dollars)

### (1) Organization Mission and Structure

#### *Mission*

World Vision, Inc. (World Vision or 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 root causes of poverty and injustice. The Organization provides emergency relief and long-term community development programs 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. World Vision 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, churches, and governments.

World Vision's activities were comprised of the following during fiscal years ended September 30, 2017 and 2016:

*International Programs* – The Organization partners with families and communities around the world to design and implement sustainable plans to overcome poverty by helping to establish ongoing access to basic resources such as clean water, nutritious food, basic healthcare, education, income-generating opportunities, and other essentials. One of the Organization's primary funding sources for this work is child sponsorship, through which the Organization partners with long-term individual child sponsors to improve the physical, emotional, and spiritual well-being of children in impoverished communities. Additionally, the Organization responds to natural and man-made disasters to save lives and help restore livelihoods. The majority of World Vision's international programs are carried out by World Vision International and World Vision International's affiliated entities.

*Domestic Programs* – The Organization works with local churches, teachers, business owners, local nonprofit organizations, students, and volunteers throughout the United States 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 warehouses, partners, emergency response efforts, and tutoring and youth development programs.

*Public Awareness and Education* – The Organization seeks to make government officials and the public aware of and take action on poverty-and justice-related issues. World Vision advocates on behalf of children and the poor to increase understanding of issues, involvement in solutions, and prayer support.

*Management and General* – The Organization invests time and money to provide executive direction, financial management, audit and accountability, human resource services, planning, and coordination of the Organization's activities.

*Fundraising* – The Organization works to secure vital financial support from the public to fund the life-changing programs of the Organization.

## **WORLD VISION, INC. AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

(In thousands of dollars)

### *Structure*

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 (WVPLL), and World Vision Real Properties LLC (WVRPLL). All intercompany transactions and accounts have been eliminated.

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. The Foundation holds no assets or liabilities and there was no activity for the years ended September 30, 2017 and 2016.

WVPLL 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.

WVRPLL 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.

## **(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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

### **(c) Cash Equivalents**

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

### **(d) 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, 2017 and 2016. The Organization performs an ongoing evaluation of the commercial bank to limit its concentration of credit risk exposure. Additionally, the Organization is exposed to risk of credit loss for certain investments in the event of nonperformance by the other parties to the investment transactions. Those investments include all collective funds or mutual funds that invest in credit instruments such as bonds. However, the Organization does not anticipate nonperformance by the other parties.

## **WORLD VISION, INC. AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

(In thousands of dollars)

### **(e) Grants, Accounts and Other Receivables**

Grants receivable consist of grant funds receivable from the United States Agency for International Development (USAID), the United States Department of Agriculture (USDA), and other grantors. Grant receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts.

Additionally, the Organization has recorded accounts receivable consisting primarily of donor contributions to be settled by credit card processors, pledges receivable, and other receivables. 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 revenue or pledges receivable until such time as the conditions are substantially met. As of September 30, 2017, the Organization had outstanding \$25,934 in conditional promises to give, excluding public grants. Of the conditional promises to give outstanding, \$20,583 is conditioned upon the raising of matching funds, and \$5,351 is conditioned upon the completion of specific programmatic performance milestones. The Organization also had outstanding \$498,475 in conditional promises to give directly related to public grants as of September 30, 2017. Of the outstanding conditional promises to give related to public grants, \$453,532 was awarded by U.S. government donors and \$44,943 was awarded by multi-lateral agencies or other donors.

### **(f) Due to/from World Vision International**

The majority of the Organization's programs are carried out worldwide through World Vision International and World Vision International's affiliated entities. The Organization makes funding commitments to World Vision International during each fiscal year. Any amount of the annual commitment unpaid by the Organization is due to World Vision International, while any amount of cash funding remitted to World Vision International in excess of the Organization's annual commitment is due from World Vision International.

### **(g) Investments**

Investments are stated at fair value as determined by quoted or published market prices. 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 the Organization.

The Organization's marketable securities consist of securities held in trust, securities held at various brokerage firms, and securities donated to the Organization not yet liquidated.

## **WORLD VISION, INC. AND AFFILIATES**

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

(In thousands of dollars)

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 the overall investment goal, some investment risk is 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.

The majority of the Organization's financial assets are invested in money market instruments, mutual funds, corporate bonds, and equities. Investment transactions are recognized on a trade-date basis.

Investments 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. Impairment losses of \$3,421 and \$5,287 were recognized during the years ended September 30, 2017 and 2016, respectively, and reported as investment and other losses.

#### ***(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 gifts made into the Funds, and all income and other proceeds from the foregoing assets less any distributions. 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 assets 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.

#### ***(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, ten 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 leasehold improvements.

## **WORLD VISION, INC. AND AFFILIATES**

### Notes to Consolidated Financial Statements

September 30, 2017 and 2016

(In thousands of dollars)

The cost of repairs and maintenance 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. No impairment losses related to property and equipment were recognized during the years ended September 30, 2017 and 2016.

#### **(j) Charitable Trusts Receivable**

Charitable trusts receivable represents the Organization's interest in trust accounts whereby the Organization is not the trustee. 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 that is commensurate with 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 an external trustee.

#### **(l) Charitable Gift Annuities**

Under charitable gift annuity contracts, the Organization receives irrevocable title to contributed assets and agrees to make fixed 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 separate and distinct assets, the Organization designated a portion of investments in pooled funds to be an additional reserve in the amount of \$1,702 and \$1,872 as of September 30, 2017 and 2016, respectively. 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.

**WORLD VISION, INC. AND AFFILIATES**

Notes to Consolidated Financial Statements

September 30, 2017 and 2016

(In thousands of dollars)

**(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 are comprised of gifts, including pledges and trusts, as well as income and gains that can be expended, for which restrictions placed by the donor have not yet been met. Such restrictions include: (1) purpose restrictions wherein donors have specified the purpose for which the net assets are to be spent; or (2) time restrictions, which 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 the conditions related to temporary restrictions are fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from 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.

**(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 as a contribution in the period the Organization meets the conditions for revenue recognition, namely it incurs reimbursable program expenditures. Grant commodities and freight reimbursement received through USAID are valued using guidelines published by the USDA and USAID. Food inventory and deferred revenue are recorded when the Organization receives title to the food. Fair value is determined by reference to values provided by the donor and reviewed for appropriateness by the Organization.

Food revenue granted for distribution is generally recognized when the commodities are delivered to the ultimate destination. Proceeds received from commodities that are monetized (sold) are recorded as other assets and deferred revenue. Revenue is recognized on the proceeds for food granted for monetization when the proceeds are utilized for program activities.

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### **(p) Gifts-in-Kind**

Gifts-in-kind (GIK) received through private donations are recorded in accordance with U.S. GAAP and industry standards, referred to as the Interagency GIK Standards, as developed by an interagency task force appointed by Accord Network. Accord Network is an industry network which collaborates to eliminate poverty and establish common reporting and operating principles. 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 markets considering the goods condition and utility for use at the time of contribution. 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 reliable third-party sources, 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. The inventory is valued using the same methodologies discussed above. The Organization believes that this approximates the lower of cost or market.

### **(q) Other Income**

Other income consists primarily of interest and dividend income, program fees, gains and losses from planned gift instruments, and change in value of split interest agreements.

### **(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 these services provided do not meet the required criteria for recognition of revenue. However, the Organization recognized the fair value of professional services meeting the required criteria in the amount of \$250 for the year ended September 30, 2016.

### **(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 included in accounts payable and accrued expenses based upon the Organization's estimate of the 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, 2017 and 2016. 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.



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### **(t) 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 in note 14 to the program and supporting services that received the benefit.

### **(u) Nonoperating Activities**

Nonoperating activities consists primarily of pension actuarial gains or losses and realized and unrealized investment gains and losses, impairment losses, and interest expense.

### **(v) Income Taxes**

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, *Income Taxes*, 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, 2017 and 2016.

### **(w) Reclassification**

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

## **(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 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.

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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 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.

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The following table presents financial instruments measured at fair value as of September 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2017</u>
Marketable securities:				
Government securities	\$ —	303	—	303
Equity securities	37	—	—	37
Mutual funds:				
Equities	9,189	—	—	9,189
Bonds	9,165	—	—	9,165
Total marketable securities	<u>\$ 18,391</u>	<u>303</u>	<u>—</u>	<u>18,694</u>
Investments in pooled funds:				
Cash equivalents	\$ 32,384	—	—	32,384
Equity securities	18,561	—	—	18,561
Mutual funds:				
Equities	10,363	—	—	10,363
Bonds	3,885	—	—	3,885
Corporate bonds	5,587	510	—	6,097
Real estate investment trusts	3,967	—	—	3,967
Master limited partnerships	5,663	—	—	5,663
Other assets	—	5	202	207
Total investments in pooled funds	<u>\$ 80,410</u>	<u>515</u>	<u>202</u>	<u>81,127</u>
Charitable trusts receivable	\$ —	—	13,161	13,161
Assets held in trust:				
Cash equivalents	\$ 447	—	—	447
Mutual funds:				
Equities	7,568	—	—	7,568
Bonds	6,078	—	—	6,078
Total assets held in trust	<u>\$ 14,093</u>	<u>—</u>	<u>—</u>	<u>14,093</u>

Investments are presented in the statement of financial position as of September 30, 2017 as follows:

	<u>Current investments</u>	<u>Investments held for long- term purposes</u>	<u>Total</u>
Marketable securities	\$ 10,236	8,458	18,694
Investments in pooled funds	68,501	12,626	81,127

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The following table presents financial instruments measured at fair value as of September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2016</u>
Marketable securities:				
Government securities	\$ —	316	—	316
Equity securities	14	—	—	14
Mutual funds:				
Equities	9,411	—	—	9,411
Bonds	9,472	—	—	9,472
Total marketable securities	<u>\$ 18,897</u>	<u>316</u>	<u>—</u>	<u>19,213</u>
Investments in pooled funds:				
Cash equivalents	\$ 10,838	—	—	10,838
Equity securities	16,476	—	—	16,476
Mutual funds:				
Equities	6,513	—	—	6,513
Bonds	3,969	—	—	3,969
Corporate bonds	5,571	750	—	6,321
Real estate investment trusts	3,114	—	—	3,114
Master limited partnerships	5,907	—	—	5,907
Other assets	—	12	203	215
Total investments in pooled funds	<u>\$ 52,388</u>	<u>762</u>	<u>203</u>	<u>53,353</u>
Charitable trusts receivable	\$ —	—	11,735	11,735
Assets held in trust:				
Cash equivalents	\$ 429	—	—	429
Mutual funds:				
Equities	6,817	—	—	6,817
Bonds	6,294	—	—	6,294
Total assets held in trust	<u>\$ 13,540</u>	<u>—</u>	<u>—</u>	<u>13,540</u>

Investments are presented in the statement of financial position as of September 30, 2016 as follows:

	<u>Current investments</u>	<u>Investments held for long- term purposes</u>	<u>Total</u>
Marketable securities	\$ 11,127	8,086	19,213
Investments in pooled funds	41,549	11,804	53,353

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

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The Organization 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 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 and receivables been available, but the Organization does not expect the difference to be material. The following table is a rollforward of the consolidated statements of financial position amounts for 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 actuarially derived fluctuations. There were no transfers between Level 1 and Level 2 during the year ended September 30, 2017.

	<u>Investments</u>	<u>Charitable trusts receivable</u>
Balance at September 30, 2015	\$ 304	10,025
New contributions	175	3,580
Sales	(177)	—
Net change in value	<u>(99)</u>	<u>(1,870)</u>
Balance at September 30, 2016	203	11,735
New contributions	48	4,731
Sales	(43)	—
Net change in value	<u>(6)</u>	<u>(3,305)</u>
Balance at September 30, 2017	\$ <u>202</u>	<u>13,161</u>

**(4) Endowments**

The Organization's board has interpreted the California State Uniform Prudent Management of Institutional Funds Act 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, 2017, the Organization had seven donor-restricted endowment funds totaling \$8,223 and one board-designated endowment fund totaling \$341. During the year ended September 30, 2016, the Organization had seven donor-restricted endowment funds totaling \$7,427 and one board-designated endowment fund totaling \$302. During the years ended September 30, 2017 and 2016, these endowments had a net investment return of \$470 and loss of \$731, and amounts appropriated for expenditure of \$245 and \$221, respectively.

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**(5) Inventory**

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

	<u>2017</u>	<u>2016</u>
GIK inventory	\$ 39,869	48,488
Food received for monetization or distribution	12,758	5,500
Other inventory	24	—
	<u>52,651</u>	<u>53,988</u>
Provision for GIK obsolescence	<u>(32)</u>	<u>(224)</u>
	<u>\$ 52,619</u>	<u>53,764</u>

**(6) Fixed Assets**

Fixed assets comprised the following at September 30:

	<u>2017</u>	<u>2016</u>
Land	\$ 6,792	6,792
Buildings and leasehold improvements	53,463	53,239
Equipment	17,537	19,348
Computer software	<u>47,041</u>	<u>51,507</u>
	124,833	130,886
Less accumulated depreciation and amortization	<u>(76,337)</u>	<u>(79,108)</u>
	<u>\$ 48,496</u>	<u>51,778</u>

Depreciation and amortization expense for the years ended September 30, 2017 and 2016 was \$4,744 and \$5,645, respectively.

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**(7) Notes Payable**

Notes payable consisted of the following at September 30:

	<b>2017</b>	<b>2016</b>
Note payable, due in monthly installments of \$390, including interest at 2.5%; final payment due May 2022	\$ 20,599	24,705
Charitable notes payable, interest only at 1.0% – 2.5%	300	300
Charitable note payable, interest at 0%, \$5 is released to revenue annually	5	10
	20,904	25,015
Less current portion	(4,517)	(4,416)
Long-term portion of notes payable	\$ 16,387	20,599

Scheduled principal payments are due as follows:

Year ending September 30:	
2018	\$ 4,517
2019	4,319
2020	4,430
2021	4,544
2022	3,094
	\$ 20,904

The Organization's note payable includes covenants that require the Organization to maintain certain financial ratios. The Organization was in compliance with its covenant requirements as of and for the years ended September 30, 2017 and 2016.

Charitable notes payable are loans from donors where the repayment obligation of any unpaid principal or interest payable will be cancelled at the donor's death.

**(8) Obligations under Operating Leases**

The Organization has commitments related to operating leases for buildings, facilities and equipment at September 30, 2017 and 2016. All operating leases are noncancelable and expire on various dates through 2022.

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Future minimum lease payments under noncancelable operating leases with initial or remaining terms of one year or more at September 30, 2017 are as follows:

	<u>Operating leases</u>
Year ending September 30:	
2018	\$ 1,128
2019	757
2020	554
2021	431
2022	<u>227</u>
	<u>\$ 3,097</u>

Lease and rent expenses for the years ended September 30, 2017 and 2016 were \$2,556 and \$2,370, respectively.

**(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 represents 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 range between 2.3% and 7.0%. The amounts held belong to various investment funds held in trust by the Organization and were as follows at September 30:

	<u>2017</u>	<u>2016</u>
Exchange portion of charitable lead trusts, charitable remainder trusts, and life estates	\$ 10,212	9,637
Refundable advances of revocable trusts and missions agreements	<u>—</u>	<u>126</u>
	<u>\$ 10,212</u>	<u>9,763</u>



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**(10) Net Assets**

Unrestricted net assets comprise the following at September 30:

	<u>2017</u>	<u>2016</u>
Working capital and net fixed assets	\$ 26,495	8,218
Donor advised funds and designated funds	27,217	28,569
Charitable gift annuities	3,667	3,304
Undistributed GIK contributions	15,448	21,951
Under funded status of pension plan	(615)	(6,244)
	<u>\$ 72,212</u>	<u>55,798</u>

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

	<u>2017</u>	<u>2016</u>
Child sponsorship and childcare ministries	\$ 48,820	18,999
Relief and rehabilitation, community development, and Christian impact and leadership projects	31,519	28,215
Domestic programs	3,212	482
Term endowments, the income from which is expendable to support World Vision programs	1,083	1,005
Split-interest agreements, the income from which is unrestricted upon the expiration of certain time restrictions	14,176	12,734
Designated funds	1,531	1,595
Undistributed GIK contributions	24,389	26,313
	<u>\$ 124,730</u>	<u>89,343</u>

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

	<u>2017</u>	<u>2016</u>
Endowments invested in perpetuity, the income from which is expendable to support World Vision programs	\$ 7,004	6,407
Perpetual trusts	1,951	2,020
	<u>\$ 8,955</u>	<u>8,427</u>

**(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

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Peace and the United Nations 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 sold. Sales proceeds are used to fund international relief and development programs.

Cash and food commodity grant revenue is as follows for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Cash grants:		
Cash awards from USAID	\$ 124,752	86,595
Cash awards from other agencies	46,690	36,969
Total cash grants	<u>171,442</u>	<u>123,564</u>
Monetization grants	15,802	2,700
Commodity distribution grants:		
Food commodities from USAID	26,551	24,162
Food commodities from World Food Program	64,366	54,525
Food commodities from other agencies	1,116	1,243
Nonfood commodities from USAID	—	3,119
Cash freight awards from USAID	12,643	2,862
Cash freight awards from World Food Program	9,705	7,258
Cash freight awards from other agencies	795	557
Total commodity distribution grants	<u>115,176</u>	<u>93,726</u>
Total	<u>\$ 302,420</u>	<u>219,990</u>

**(12) Gifts-in-Kind Revenue and Expense**

GIK revenue consisted of donations of the following for the years ended September 30:

	<u>2017</u>	<u>2016</u>
Clothing and household goods	\$ 49,305	86,182
Toys	25,401	2,072
Building supplies	25,248	19,560
Books	18,215	6,612
Pharmaceuticals	17,384	100,020
School and office supplies	9,700	10,649
Medical supplies	7,383	8,113
Other	5,487	3,482
	<u>\$ 158,123</u>	<u>236,690</u>

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GIK expense included inventory distributed and services provided for the years ended September 30 as follows:

	<u>2017</u>	<u>2016</u>
Domestic programs	\$ 76,725	62,199
World Vision International	57,231	157,443
Partner agencies	<u>32,845</u>	<u>20,605</u>
	<u>\$ 166,801</u>	<u>240,247</u>

**(13) Program Services**

Program services have been funded by the following resources for the years ended September 30:

	<u>2017</u>			<u>2016</u>		
	<u>International programs</u>	<u>Domestic programs</u>	<u>Public awareness and education</u>	<u>International programs</u>	<u>Domestic programs</u>	<u>Public awareness and education</u>
Cash	\$ 555,067	14,034	3,634	484,569	13,115	3,689
Gifts-in-kind	86,648	80,153	—	175,314	64,933	—
Grant commodities	<u>115,176</u>	<u>—</u>	<u>—</u>	<u>93,726</u>	<u>—</u>	<u>—</u>
Total program services	<u>\$ 756,891</u>	<u>94,187</u>	<u>3,634</u>	<u>753,609</u>	<u>78,048</u>	<u>3,689</u>

**(14) Joint Cost Allocation**

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

	<u>2017</u>	<u>2016</u>
Management and general	\$ 744	1,076
Fundraising	1,467	2,088
International programs	632	899
Public awareness and education	<u>167</u>	<u>239</u>
	<u>\$ 3,010</u>	<u>4,302</u>

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**(15) Cash Balance Retirement Plan**

The Organization participates jointly with World Vision International in a noncontributory cash balance retirement plan (the Plan). The Plan covers substantially all regular full-time employees of the Organization. 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 calendar year, and the amount is 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. Starting October 1, 2016, the Plan was administered by an external trustee. Prior to October 1, 2016, the Organization acted as trustee of the assets of the Plan for the Organization and World Vision International.

The following table sets forth the actuarial assumptions related to the Plan. Assumptions as of September 30, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Discount rate	3.25 %	2.85 %
Expected return on plan assets	6.50	6.50
Rate of compensation increase	3.50	3.50

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 appropriate based on historical returns.

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

	2017		2016	
	World Vision, Inc.	Total Plan	World Vision, Inc.	Total Plan
Projected benefit obligations at beginning of year	\$ 93,265	139,347	88,025	130,370
Change in projected benefit obligations:				
Service cost	5,150	7,510	4,983	7,456
Interest cost	2,580	3,725	2,892	4,386
Changes in assumptions	(3,035)	(4,541)	(453)	2,071
Actuarial (gain)/loss	(1,598)	(2,342)	1,727	2,581
Benefits paid	(4,043)	(8,374)	(3,747)	(7,275)
Expenses paid	(132)	(193)	(162)	(242)
Projected benefit obligations at end of year	\$ 92,187	135,132	93,265	139,347
Accumulated benefit obligations at end of year	\$ 84,788	124,287	84,253	125,883
Plan assets at fair value at beginning of year	\$ 87,021	130,017	78,135	115,722
Change in plan assets:				
Actual return on plan assets	7,627	11,180	10,283	15,362
Employer contributions	1,066	1,600	4,300	6,450
Benefits paid	(4,043)	(8,374)	(3,747)	(7,275)
Expenses paid	(132)	(193)	(162)	(242)
Changes in assumptions	33	—	(1,788)	—
Plan assets at fair value at end of year	\$ 91,572	134,230	87,021	130,017
Funded status	\$ (615)	(902)	(6,244)	(9,330)
Liability recognized in the statement of financial position as accrued pension liability	\$ (615)	—	(6,244)	—
Pension actuarial gain recognized in the change in unrestricted net assets under ASC 715	\$ (7,951)	—	(3,770)	—

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

	2017		2016	
	World Vision, Inc.	Total Plan	World Vision, Inc.	Total Plan
Service cost	\$ 5,150	7,510	4,983	7,456
Interest cost	2,580	3,725	2,892	4,386
Expected return on plan assets	(5,601)	(8,086)	(5,088)	(7,717)
Amortization of net loss	1,259	1,818	1,637	2,484
Net periodic benefit cost	\$ 3,388	4,967	4,424	6,609

**(a) Fair Value of Plan Assets**

The Plan 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 policy from investing in certain derivative financial instruments.

The following table presents assets that are measured at fair value at September 30, 2017:

	Level 1	Level 2	Level 3	2017
Cash equivalents	\$ 183	780	—	963
Equity securities	24,560	—	2	24,562
Mutual funds:				
Equities	24,839	—	—	24,839
Bonds	9,396	—	—	9,396
Government agencies	12,689	—	—	12,689
Other fixed income	49,622	—	—	49,622
Total plan assets measured at fair value	121,289	780	2	122,071
Plan assets measured at NAV				12,159
Total plan assets	\$ 121,289	780	2	134,230

Plan assets measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. Assets measured at NAV consist of one real estate fund, which may only be traded quarterly and requires a notification period of at least 90 days.

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The following table presents assets that are measured at fair value at September 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2016</u>
Cash equivalents	\$ 16,267	—	—	16,267
Equity securities	8,878	—	—	8,878
Mutual funds:				
Equities	74,802	—	—	74,802
Bonds	22,345	—	—	22,345
Real estate investment trusts	1,842	—	—	1,842
Master limited partnerships	5,883	—	—	5,883
Total plan assets measured at fair value	130,017	—	—	130,017
Plan assets measured at NAV				—
Total plan assets	\$ 130,017	—	—	130,017

**(b) Estimated Future Payments**

Due to the funded status of the Plan, the Plan contribution for the year ending September 30, 2018 is expected to be \$0. Assuming the majority of the participants began receiving benefit payments at the end of their employment in the form of an immediate lump-sum payout, the following schedule estimates future benefit payments over the next ten years, including expected future service, in the years ended September 30:

	<u>World Vision, Inc.</u>	<u>Total Plan</u>
2018	\$ 11,460	17,190
2019	9,007	13,511
2020	9,581	14,371
2021	10,291	15,436
2022	7,846	11,769
2023–2027	35,364	53,047
	\$ 83,549	125,324

**(16) Defined Contribution Retirement Plan**

The Organization also provides eligible employees a defined contribution plan, which is a qualified plan 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 \$1,743 and \$1,687 for the years ended September 30, 2017 and 2016, respectively.

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**(17) Contingencies**

Claims arise for the Organization 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) 2 CFR Part 200 and review by the grantor. Based on historical experience and results of prior 2 CFR Part 200 audits, which have been completed through fiscal year 2016, the Organization's management believes costs disallowed and claims remitted, if ultimately 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 8, 2017, which is the date the consolidated financial statements were available to be issued. The Organization determined that no additional disclosures were required.





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

