World Vision®

Building a better world for children

WORLD VISION, INC. AND AFFILIATES

Consolidated Financial Statements

September 30, 2016 and 2015

(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, 2016 and 2015, 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, 2016 and 2015, 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 13, 2016

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WORLD VISION, INC. AND AFFILIATES

Consolidated Statements of Financial Position

September 30, 2016 and 2015

(In thousands of dollars)

Assets		**2016**		**2015**
Current assets:				
Cash and cash equivalents	$	7,356	$	12,242
Grants receivable		18,805		11,950
Accounts, notes, and other receivables, net		9,874		5,612
Marketable securities (note 3)		11,127		10,194
Investments in pooled funds (note 3)		45,619		20,502
Other assets		12,779		11,573
Inventory, net (note 5)		53,764		53,817
Total current assets		159,324		125,890
Noncurrent assets:				
Marketable securities (note 3)		8,086		7,503
Investments in pooled funds (note 3)		7,734		8,597
Donated real estate		2,482		2,482
Fixed assets, net (note 6)		51,778		52,815
Other assets		1,122		1,481
Charitable trusts receivable (note 3)		11,735		10,025
Assets held in trust (note 3)		13,540		12,411
Total noncurrent assets		96,477		95,314
Total assets	$	255,801	$	221,204
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$	32,250	$	27,943
Due to World Vision International (note 7)		2,872		10,210
Deferred revenue		20,372		8,296
Notes payable (note 8)		4,416		4,317
Total current liabilities		59,910		50,766
Noncurrent liabilities:				
Deferred revenue		763		818
Charitable gift annuities		4,954		4,911
Amounts held for others (note 10)		9,763		8,957
Accrued pension liability (note 16)		6,244		9,890
Notes payable, net of current portion (note 8)		20,599		24,705
Total noncurrent liabilities		42,323		49,281
Total liabilities		102,233		100,047
Net assets (note 11):				
Unrestricted		55,798		30,458
Temporarily restricted		89,343		82,583
Permanently restricted		8,427		8,116
Total net assets		153,568		121,157
Total liabilities and net assets	$	255,801	$	221,204

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)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue:				
Contributions, primarily private cash	$ 38,960	$ 510,638	$ 176	$ 549,774
Public cash and food commodity grants (note 12)	219,990	—	—	219,990
Gifts-in-kind (note 13)	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	1,007,212	6,760	311	1,014,283
Operating expenses:				
Program services (note 1):				
International programs	753,609	—	—	753,609
Domestic programs	78,048	—	—	78,048
Public awareness and education	3,689	—	—	3,689
Total program services	835,346	—	—	835,346
Supporting services (note 1):				
Management and general	57,171	—	—	57,171
Fundraising	95,420	—	—	95,420
Total supporting services	152,591	—	—	152,591
Total operating expenses	987,937	—	—	987,937
Change in net assets from operating activities	19,275	6,760	311	26,346
Non-operating activities:				
Investment and other loss	(4,089)	—	—	(4,089)
Unrealized gain on investments	7,064	—	—	7,064
Interest expense	(680)	—	—	(680)
Pension actuarial gain (note 16)	3,770	—	—	3,770
Change in net assets	25,340	6,760	311	32,411
Net assets, beginning of year	30,458	82,583	8,116	121,157
Net assets, end of year	$ 55,798	$ 89,343	$ 8,427	$ 153,568

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Activities

Year ended September 30, 2015

(In thousands of dollars)

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Operating revenue:				
Contributions, primarily private cash	$ 47,038	$ 523,866	$ 202	$ 571,106
Public cash and food commodity grants (note 12)	171,950	—	—	171,950
Gifts-in-kind (note 13)	53,894	200,748	—	254,642
Other income, net	3,630	723	220	4,573
Net assets released from restriction:				
Due to expiration of time (split-interest agreements)	469	(469)	—	—
Due to satisfaction of program restrictions	714,126	(714,126)	—	—
Total operating revenue	991,107	10,742	422	1,002,271
Operating expenses:				
Program services (note 1):				
International programs	760,340	—	—	760,340
Domestic programs	75,007	—	—	75,007
Public awareness and education	4,062	—	—	4,062
Total program services	839,409	—	—	839,409
Supporting services (note 1):				
Management and general	58,109	—	—	58,109
Fundraising	96,006	—	—	96,006
Total supporting services	154,115	—	—	154,115
Total operating expenses	993,524	—	—	993,524
Change in net assets from operating activities	(2,417)	10,742	422	8,747
Non-operating activities:				
Investment and other income	2,776	—	—	2,776
Unrealized loss on investments	(13,697)	—	—	(13,697)
Interest expense	(330)	—	—	(330)
Pension actuarial loss (note 16)	(18,840)	—	—	(18,840)
Change in net assets	(32,508)	10,742	422	(21,344)
Net assets, beginning of year	62,966	71,841	7,694	142,501
Net assets, end of year	$ 30,458	$ 82,583	$ 8,116	$ 121,157

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	—	—	298,947	—	—	—	298,947
Gifts-in-kind	157,443	62,199	—	219,642	—	—	—	219,642
Gifts to other ministries	51,400	6,417	—	57,817	—	—	—	57,817
Community development and subgrantee expenses	—	97	—	97	—	—	—	97
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 Statement of Functional Expenses

Year ended September 30, 2015

(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	2015
Funding of World Vision International and U.S. domestic programs:								
Child sponsorship	$ 240,792	$ —	$ —	$ 240,792	$ —	$ —	$ —	$ 240,792
Relief and rehabilitation, community development, and Christian impact and leadership projects	262,284	—	—	262,284	—	—	—	262,284
Gifts-in-kind	179,275	46,430	—	225,705	—	—	—	225,705
Gifts to other ministries	49,510	18,321	—	67,831	—	—	—	67,831
Community development and subgrantee expenses	—	76	—	76	—	—	—	76
Salaries and benefits	19,641	6,133	2,761	28,535	30,666	43,895	74,561	103,096
Professional services	2,399	349	398	3,146	6,327	13,104	19,431	22,577
Media and advertising	20	17	155	192	4,790	12,213	17,003	17,195
Freight and postage	220	17	54	291	517	7,409	7,926	8,217
Printing	127	28	31	186	207	6,897	7,104	7,290
Travel	2,095	393	335	2,823	1,267	4,945	6,212	9,035
Occupancy	1,081	1,145	119	2,345	2,595	3,271	5,866	8,211
Equipment, repairs, and maintenance	230	467	42	739	3,431	1,014	4,445	5,184
Depreciation	485	1,081	3	1,569	2,316	2,030	4,346	5,915
Other	2,181	550	164	2,895	5,993	1,228	7,221	10,116
Totals	$ 760,340	$ 75,007	$ 4,062	$ 839,409	$ 58,109	$ 96,006	$ 154,115	$ 993,524

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2016 and 2015

(In thousands of dollars)

	2016	2015
Cash flows provided by/(used in) operating activities:		
Change in net assets	$ 32,411	$ (21,344)
Adjustment to reconcile change in net assets to net cash provided by/ (used in) operating activities:		
Pension actuarial (gain)/loss	(3,770)	18,840
Depreciation and amortization	5,645	5,915
Net realized and unrealized (gain)/loss on marketable securities and investments in pooled funds	(2,847)	14,554
Loss on disposal of equipment	265	131
Loss on sale of donated real estate	—	117
Noncash contributions	(10,362)	(13,703)
Proceeds from the sale of donated marketable securities	7,096	6,192
Noncash decrease in inventory, net	53	3,149
Accrued pension contribution decrease/(increase)	124	(2,429)
Contributions restricted for investment in endowment	(176)	(202)
Other changes in operating assets and liabilities:		
Grants receivable	(6,855)	6,055
Accounts, notes and other receivables	(4,273)	844
Other assets	(888)	(2,954)
Charitable trusts receivable	1,748	1,697
Assets held in trust	(1,129)	271
Accounts payable and accrued expenses	4,307	2,680
Due to World Vision International	(7,338)	(38,576)
Charitable gift annuities	43	(67)
Deferred revenue	12,021	3,508
Amount held for others	806	(80)
Net cash provided by/(used in) operating activities	26,881	(15,402)
Cash flows provided by/(used in) investing activities:		
Purchase of marketable securities	(4,154)	(2,685)
Proceeds from the sale of marketable securities	3,850	3,457
Purchase of investments in pooled funds	(111,884)	(29,379)
Proceeds from the sale of investments in pooled funds	89,109	28,761
Acquisition of fixed assets	(4,960)	(3,434)
Proceeds from sale of fixed assets	87	46
Proceeds from sales of donated real estate	—	886
Principal collected on notes receivable	11	345
Net cash used in investing activities	(27,941)	(2,003)
Cash flows provided by/(used in) financing activities:		
Contributions restricted for investment in endowment	176	202
Proceeds from notes payable	—	30,330
Principal payments on notes payable	(4,002)	(6,831)
Net cash (used in)/provided by financing activities	(3,826)	23,701
Net change in cash and cash equivalents	(4,886)	6,296
Cash and cash equivalents, beginning of year	12,242	5,946
Cash and cash equivalents, end of year	$ 7,356	$ 12,242
Cash paid during the year for interest	$ 680	$ 330

See accompanying notes to consolidated financial statements.

(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 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, 2016 and 2015:

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, a related party.

Domestic Programs – The Organization works with local churches, teachers, business owners, local non-profit 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.

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

(Continued)

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, 2016 and 2015.

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.

(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) Financial Instruments

Financial instruments include cash and cash equivalents, accounts, notes, and other receivables, donated real estate, accounts payable, accrued expenses, and notes payable, and are stated at carrying cost at year-end, which approximates fair value. Other financial instruments held at year-end are investments, which are stated at fair value.

(d) Cash Equivalents

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

(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, 2016 and 2015. 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. However, the Organization does not anticipate nonperformance by the other parties.

(f) Grants, Accounts, Notes 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. Additionally, the Organization has a small amount of notes receivable and pledges receivable. Trade 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 written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

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, 2016, the Organization had outstanding $32,093 in conditional promises to give, excluding public grants. Of the conditional promises to give outstanding, $28,603 was conditioned upon the raising of matching funds and $3,490 was conditioned upon the completion of specific programmatic performance milestones. The Organization also had outstanding $483,337 in conditional promises to give directly related to public grants as of September 30, 2016. Of the outstanding conditional promises to give related to public grants, $378,416 was awarded by U.S. government donors and $104,921 was awarded by multi-lateral agencies or other donors.

(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.

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.

(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.

(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.

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 were recognized during the years ended September 30, 2016 and 2015.

(j) Charitable Trusts Receivable

Charitable trusts 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 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 assets, the Organization set aside an additional gift annuity reserve of $1,872 and $2,319 at September 30, 2016 and 2015, 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, 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 restriction 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 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.

(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, as well as costs incurred by World Vision, as reviewed for appropriateness by the Organization.

Food revenue granted for distribution is generally recognized as a contribution 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. Contribution 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 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 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. 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 revenue, program fees, as well as realized and unrealized income, gains, and losses from planned gift instruments.

(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 and $181 for the years ended September 30, 2016 and 2015, respectively.

(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, 2016 and 2015. 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) 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 15 to the program and supporting services that received the benefit.

(u) 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, *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, 2016 and 2015.

(v) Reclassification

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

In preparation of the September 30, 2016 financial statements, the Organization identified certain investments that were initially valued using net asset value as a practical expedient. Upon further review of the nature and characteristics of these investments, the Organization determined that such investments would otherwise meet the criteria for a readily determinable fair value measurement as these investments trade daily and have a published price that investors can obtain at any time. There are no restrictions on redemption of these investments. Therefore, the Organization has determined that these investments are appropriately presented as a Level 1 investment within the fair value hierarchy, which is reflected above. This presentation has been retrospectively applied.

(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.

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.

(In thousands of dollars)

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

	2016	Level 1	Level 2	Level 3
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	$ 19,213	$ 18,897	$ 316	$ —
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	6,321	5,571	750	—
Real estate investment trusts	3,114	3,114	—	—
Master limited partnerships	5,907	5,907	—	—
Other assets	215	—	12	203
Total investments in pooled funds	$ 53,353	$ 52,388	$ 762	$ 203
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	$ 13,540	$ 13,540	$ —	$ —

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

	Current investments	Investments held for long-term purposes	Total
Marketable securities	$ 11,127	$ 8,086	$ 19,213
Investments in pooled funds	45,619	7,734	53,353

(Continued)

(In thousands of dollars)

The following table presents financial instruments measured at fair value as of September 30, 2015:

	2015	Level 1	Level 2	Level 3
Marketable securities:				
Government securities	$ 328	$ —	$ 328	$ —
Equity securities	113	113	—	—
Mutual funds:				
Equities	9,414	9,414	—	—
Bonds	7,842	7,842	—	—
Total marketable securities	$ 17,697	$ 17,369	$ 328	$ —
Investments in pooled funds:				
Cash equivalents	$ 182	$ 182	$ —	$ —
Equity securities	12,550	12,550	—	—
Mutual funds:				
Equities	5,639	5,639	—	—
Bonds	2,321	2,321	—	—
Real estate investment trusts	2,107	2,107	—	—
Master limited partnerships	5,988	5,988	—	—
Other assets	312	—	8	304
Total investments in pooled funds	$ 29,099	$ 28,787	$ 8	$ 304
Charitable trusts receivable	$ 10,025	$ —	$ —	$ 10,025
Assets held in trust:				
Cash equivalents	$ 337	$ 337	$ —	$ —
Mutual funds:				
Equities	5,938	5,938	—	—
Bonds	6,136	6,136	—	—
Total assets held in trust	$ 12,411	$ 12,411	$ —	$ —

Investments are presented in the statement of financial position as of September 30, 2015 as follows:

	Current investments	Investments held for long-term purposes	Total
Marketable securities	$ 10,194	$ 7,503	$ 17,697
Investments in pooled funds	20,502	8,597	29,099

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 include mortgage-backed securities, government securities, and corporate bonds.

(In thousands of dollars)

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, 2016.

	Investments	Charitable trusts receivable
Balance at September 30, 2014	$ 304	$ 10,432
New contributions	1,663	1,290
Sales	(1,663)	—
Net change in value	—	(1,697)
Balance at September 30, 2015	304	10,025
New contributions	175	3,580
Sales	(177)	—
Net change in value	(99)	(1,870)
Balance at September 30, 2016	$ 203	$ 11,735

(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, 2016, the Organization had six donor-restricted endowment funds totaling $7,427 and one board-designated endowment fund totaling $302. During the year ended September 30, 2015, the Organization had five donor-restricted endowment funds totaling $8,288 and one board-designated endowment fund totaling $304. During the years ended September 30, 2016 and 2015, these endowments had a net investment loss of $731 and return of $791, and amounts appropriated for expenditure of $221 and $388, respectively.

(Continued)

(In thousands of dollars)

(5) Inventory

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

	2016	2015
GIK inventory	$ 48,488	$ 51,575
Food received for distribution	5,500	2,425
	53,988	54,000
Provision for GIK obsolescence	(224)	(183)
	$ 53,764	$ 53,817

(6) Fixed Assets

Fixed assets comprised the following at September 30:

	2016	2015
Land	$ 6,792	$ 6,830
Buildings and leasehold improvements	53,239	52,816
Equipment	19,348	20,289
Computer software	51,507	49,244
	130,886	129,179
Less accumulated depreciation and amortization	(79,108)	(76,364)
	$ 51,778	$ 52,815

Depreciation and amortization expense for the years ended September 30, 2016 and 2015 was $5,645 and $5,915, respectively.

(7) Related Parties

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.

(Continued)

(In thousands of dollars)

(8) Notes Payable

Notes payable consisted of the following as of September 30, 2016 and 2015:

	2016	2015
Note payable, due in monthly installments of $390 including interest at 2.5%; final payment due May 2022	$ 24,705	$ 28,707
Charitable notes payable, interest only at 1.0% - 2.5%	300	300
Charitable note payable, interest at 0%, $5 is released to revenue annually	10	15
	25,015	29,022
Less current portion	(4,416)	(4,317)
Long-term portion of notes payable	$ 20,599	$ 24,705

Scheduled principal payments are due as follows:

Year ending September 30:	
2017	$ 4,416
2018	4,211
2019	4,320
2020	4,430
2021	4,544
Thereafter	3,094
	$ 25,015

The Organization obtained a note payable on April 23, 2015 from a bank secured by lands and buildings. The Organization utilized the proceeds to reduce the outstanding payable due to World Vision International. The fair value of the note payable approximates carrying value and is considered Level II in the fair value hierarchy. The fair value of the note payable is determined based on a combination of quoted prices of similar securities, as they are not actively traded.

The Organization’s loan agreement includes covenants that require the Organization to maintain certain levels of financial ratios. The Organization believes it was in compliance with its covenant requirements as of and for the years ended September 30, 2016 and 2015.

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.

(In thousands of dollars)

(9) Obligations under Operating Leases

The Organization has commitments related to operating leases for buildings, facilities and equipment at September 30, 2016 and 2015. All operating leases are noncancelable and expire on various dates through 2021.

Future minimum lease payments under noncancelable operating leases with initial or remaining terms of one year or more at September 30, 2016 are as follows:

		Operating leases
Year ending September 30:		
2017	$	1,721
2018		863
2019		513
2020		323
2021		184
	$	3,604

Lease and rent expenses for the years ended September 30, 2016 and 2015 were $2,370 and $2,635, respectively.

(10) 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:

		2016		2015
Exchange portion of charitable lead trusts, charitable remainder trusts, and life estates	$	9,637	$	8,833
Refundable advances of revocable trusts and missions agreements		126		124
	$	9,763	$	8,957

(In thousands of dollars)

(11) Net Assets

Unrestricted net assets comprise the following at September 30:

	2016	2015
Working capital and net fixed assets	$ 8,218	$ (9,070)
Donor advised funds and designated funds	28,569	32,015
Charitable gift annuities	3,304	2,682
Undistributed GIK contributions	21,951	14,721
Under funded status of pension plan	(6,244)	(9,890)
	$ 55,798	$ 30,458

The 2015 deficit position for working capital and net fixed assets represented unrealized losses on investments and increased cash funding to programs benefiting families and communities.

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

	2016	2015
Child sponsorship and childcare ministries	$ 18,999	$ 5,210
Relief and rehabilitation, community development, and Christian impact and leadership projects	28,215	25,626
Domestic programs	482	695
Term endowments, the income from which is expendable to support World Vision programs	1,005	1,876
Split-interest agreements, the income from which is unrestricted upon the expiration of certain time restrictions	12,734	10,902
Designated funds	1,595	1,613
Undistributed GIK contributions	26,313	36,661
	$ 89,343	$ 82,583

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

	2016	2015
Endowments invested in perpetuity, the income from which is expendable to support World Vision programs	$ 6,407	$ 6,352
Perpetual trusts	2,020	1,764
	$ 8,427	$ 8,116

(Continued)

(In thousands of dollars)

(12) 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 sold. Sales proceeds are used to fund international relief and development programs.

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

	2016	2015
Cash grants:		
Cash awards from USAID	$ 86,595	$ 83,252
Cash awards from other agencies	36,969	34,559
Total cash grants	123,564	117,811
Monetization grants	2,700	—
Commodity distribution grants:		
Food commodities from USAID	24,162	6,174
Food commodities from World Food Program	54,525	35,547
Food commodities from other agencies	1,243	721
Nonfood commodities from USAID	3,119	—
Cash freight awards from USAID	2,862	1,184
Cash freight awards from World Food Program	7,258	9,770
Cash freight awards from other agencies	557	743
Total commodity distribution grants	93,726	54,139
Total	$ 219,990	$ 171,950

(13) Gifts-in-Kind Revenue and Expense

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

	2016	2015
Pharmaceuticals	$ 100,020	$ 103,306
Clothing and household goods	86,182	71,808
Medical supplies	8,113	9,540
Building supplies	19,560	24,054
Books	6,612	21,622
Office supplies	2,908	4,451
Other	13,295	19,861
	$ 236,690	$ 254,642

(In thousands of dollars)

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

	2016	2015
World Vision International	$ 157,443	$ 179,275
Domestic programs	62,199	46,430
Partner agencies	20,605	32,655
	$ 240,247	$ 258,360

(14) Program Services

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

	2016			2015		
	International programs	Domestic programs	Public awareness and education	International programs	Domestic programs	Public awareness and education
Cash	$ 484,569	$ 13,115	$ 3,689	$ 504,067	$ 18,781	$ 4,062
Gifts-in-kind	175,314	64,933	—	202,134	56,226	—
Grant commodities	93,726	—	—	54,139	—	—
Total program services	$ 753,609	$ 78,048	$ 3,689	$ 760,340	$ 75,007	$ 4,062

(15) 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. These expenses were allocated by their functional classification as follows at September 30:

	2016	2015
Management and general	$ 1,076	$ 1,116
Fundraising	2,088	2,328
Public awareness and education	239	277
International programs	899	942
	$ 4,302	$ 4,663

(16) 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. 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.

(In thousands of dollars)

The following table sets forth the actuarial assumptions related to the Plan. Assumptions as of September 30, 2016 and 2015 are as follows:

	2016	2015
Discount rate	2.85%	3.60%
Expected return on plan assets	6.50%	7.00%
Rate of compensation increase	3.50%	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 appropriate based on historical returns.

(In thousands of dollars)

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

	2016		2015	
	World Vision, Inc.	**Total Plan**	**World Vision, Inc.**	**Total Plan**
Projected benefit obligations at beginning of year	$ 88,025	$ 130,370	$ 86,667	$ 121,299
Change in projected benefit obligations:				
Service cost	4,983	7,456	4,977	7,487
Interest cost	2,892	4,386	2,694	4,091
Changes in assumptions	(453)	2,071	(2,488)	2,610
Actuarial loss	1,727	2,581	904	1,339
Benefits paid	(3,747)	(7,275)	(4,578)	(6,232)
Expenses paid	(162)	(242)	(151)	(224)
Projected benefit obligations at end of year	$ 93,265	$ 139,347	$ 88,025	$ 130,370
Accumulated benefit obligations at end of year	$ 84,253	$ 125,883	$ 79,495	$ 117,736
Plan assets at fair value at beginning of year	$ 78,135	$ 115,722	$ 93,188	$ 130,425
Change in plan assets:				
Actual return on plan assets	10,283	15,362	(9,923)	(14,697)
Employer contributions	4,300	6,450	4,300	6,450
Benefits paid	(3,747)	(7,275)	(4,578)	(6,232)
Expenses paid	(162)	(242)	(151)	(224)
Changes in assumptions	(1,788)	—	(4,701)	—
Plan assets at fair value at end of year	$ 87,021	$ 130,017	$ 78,135	$ 115,722
Funded status	$ (6,244)	$ (9,330)	$ (9,890)	$ (14,648)
Liability recognized in the statement of financial position as accrued pension liability	$ (6,244)		$ (9,890)	
Pension actuarial (gain) loss recognized in the change in unrestricted net assets under ASC 715	$ (3,770)		$ 18,840	

(In thousands of dollars)

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

	2016		2015	
	World Vision, Inc.	Total Plan	World Vision, Inc.	Total Plan
Service cost	$ 4,983	$ 7,456	$ 4,977	$ 7,487
Interest cost	2,892	4,386	2,694	4,091
Expected return on plan assets	(5,088)	(7,717)	(5,800)	(8,807)
Amortization of net loss	1,637	2,484	—	—
Net periodic benefit cost	$ 4,424	$ 6,609	$ 1,871	$ 2,771

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 policy from investing in derivative financial instruments.

(a) Fair Value of Plan Assets

Plan assets for World Vision Inc. are derived from actual employee headcount data and the related plan liabilities. The following table presents assets that are measured at fair value at September 30, 2016:

	2016	Level 1	Level 2	Level 3
Cash equivalents	$ 16,267	$ 16,267	$ —	$ —
Mutual funds:				
Equities	74,802	74,802	—	—
Bonds	22,345	22,345	—	—
Equity securities	8,878	8,878	—	—
Real estate investment trusts	1,842	1,842	—	—
Master limited partnerships	5,883	5,883	—	—
Total plan assets	$ 130,017	$ 130,017	$ —	$ —

(In thousands of dollars)

The following table presents assets that are measured at fair value at September 30, 2015:

	2015	Level 1	Level 2	Level 3
Cash equivalents	$ 2,530	$ 2,530	$ —	$ —
Mutual funds:				
Equities	70,990	70,990	—	—
Bonds	17,952	17,952	—	—
Equity securities	14,509	14,509	—	—
Real estate investment trusts	2,215	2,215	—	—
Corporate bonds	935	—	935	—
Master limited partnerships	6,570	6,570	—	—
Other assets	21	21	—	—
Total plan assets	$ 115,722	$ 114,787	$ 935	$ —

The majority of the investments held by the Plan have been classified within Level 1. The Plan holds some corporate bonds within Level 2 in which the fair value is determined through other significant observable items.

(b) Estimated Future Payments

The Plan contribution for the year ending September 30, 2017 is expected to be $4,300 and $6,450 for World Vision, Inc. and the total Plan, respectively. Assuming all 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, including expected future service, in the years ended September 30:

	World Vision, Inc.	Total Plan
2017	$ 11,536	$ 17,305
2018	7,939	11,909
2019	7,734	11,601
2020	8,034	12,051
2021	6,433	9,650
Thereafter	25,194	37,791
	$ 66,870	$ 100,307

(17) 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 $1,687 and $1,566 for the years ended September 30, 2016 and 2015, respectively.

(18) 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 2015, 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.

(19) Subsequent Events

Subsequent events have been evaluated through December 13, 2016, which is the date the consolidated financial statements were available to be issued. The Organization determined that no additional disclosures were required.

World Vision®

Building a better world for children

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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.