



WORLD VISION, INC. AND AFFILIATES

Consolidated Financial Statements

September 30, 2020 and 2019

(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 net position as of September 30, 2020 and 2019, 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 auditors' 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 financial position of World Vision, Inc. and affiliates as of September 30, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Seattle, Washington
December 7, 2020

WORLD VISION, INC. AND AFFILIATES

Consolidated Statements of Financial Position

September 30, 2020 and 2019

(In thousands of dollars)

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 7,186	4,841
Accounts and other receivables, net	2,723	4,543
Due from World Vision International	8,778	—
Grants receivable	13,400	26,311
Investments (note 3)	120,984	99,176
Inventory, net (note 6)	33,212	29,307
Other assets	28,461	17,189
Total current assets	214,744	181,367
Noncurrent assets:		
Investments (note 3)	18,298	22,430
Donated real estate	1,535	2,356
Fixed assets, net (note 7)	41,966	45,429
Charitable trusts receivable (note 3)	10,124	10,855
Assets held in trust (note 3)	12,654	13,177
Prepaid pension asset (note 16)	3,640	2,309
Other assets	1,319	696
Total noncurrent assets	89,536	97,252
Total assets	\$ 304,280	278,619
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 36,495	33,467
Due to World Vision International	—	5,279
Deferred revenue	25,779	18,275
Notes payable (note 8)	4,844	4,730
Total current liabilities	67,118	61,751
Noncurrent liabilities:		
Accrued expenses	2,168	—
Deferred revenue	1,347	1,388
Charitable gift annuities	5,219	5,185
Amounts held for others (note 10)	8,826	9,383
Notes payable, net of current portion (note 8)	3,094	7,638
Total noncurrent liabilities	20,654	23,594
Total liabilities	87,772	85,345
Net assets (note 11):		
Without donor restrictions	86,324	77,170
With donor restrictions	130,184	116,104
Total net assets	216,508	193,274
Total liabilities and net assets	\$ 304,280	278,619

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Activities

Year ended September 30, 2020

(In thousands of dollars)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating revenue:			
Contributions, primarily private cash	\$ 46,077	513,463	559,540
Public cash and food commodity grants (note 12)	425,781	—	425,781
Gifts-in-kind (note 13)	131,837	111,144	242,981
Other income, net	3,249	1,769	5,018
Net assets released from restriction:			
Due to expiration of time (split-interest agreements)	293	(293)	—
Due to satisfaction of program restrictions	612,003	(612,003)	—
Total operating revenue	<u>1,219,240</u>	<u>14,080</u>	<u>1,233,320</u>
Operating expenses (note 1):			
Program services (note 14):			
International programs	865,466	—	865,466
Domestic programs	194,722	—	194,722
Public awareness and education	3,666	—	3,666
Total program services	<u>1,063,854</u>	<u>—</u>	<u>1,063,854</u>
Supporting services:			
Management and general	54,855	—	54,855
Fundraising	84,956	—	84,956
Total supporting services	<u>139,811</u>	<u>—</u>	<u>139,811</u>
Total operating expenses	<u>1,203,665</u>	<u>—</u>	<u>1,203,665</u>
Change in net assets from operating activities	15,575	14,080	29,655
Non-operating activities:			
Investment and other losses, net	(10,225)	—	(10,225)
Unrealized gain on investments	2,596	—	2,596
Interest expense	(253)	—	(253)
Pension plan adjustments (note 16)	1,461	—	1,461
Change in net assets	9,154	14,080	23,234
Net assets, beginning of year	<u>77,170</u>	<u>116,104</u>	<u>193,274</u>
Net assets, end of year	<u>\$ 86,324</u>	<u>130,184</u>	<u>216,508</u>

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Activities

Year ended September 30, 2019

(In thousands of dollars)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Operating revenue:			
Contributions, primarily private cash	\$ 40,344	506,543	546,887
Public cash and food commodity grants (note 12)	392,690	—	392,690
Gifts-in-kind (note 13)	134,334	55,783	190,117
Other income, net	6,864	1,327	8,191
Net assets released from restriction:			
Due to expiration of time (split-interest agreements)	630	(630)	—
Due to satisfaction of program restrictions	575,331	(575,331)	—
Total operating revenue	<u>1,150,193</u>	<u>(12,308)</u>	<u>1,137,885</u>
Operating expenses (note 1):			
Program services (note 14):			
International programs	834,116	—	834,116
Domestic programs	158,531	—	158,531
Public awareness and education	3,389	—	3,389
Total program services	<u>996,036</u>	<u>—</u>	<u>996,036</u>
Supporting services:			
Management and general	62,591	—	62,591
Fundraising	93,779	—	93,779
Total supporting services	<u>156,370</u>	<u>—</u>	<u>156,370</u>
Total operating expenses	<u>1,152,406</u>	<u>—</u>	<u>1,152,406</u>
Change in net assets from operating activities	(2,213)	(12,308)	(14,521)
Non-operating activities:			
Investment and other losses, net	(482)	—	(482)
Unrealized loss on investments	(2,208)	—	(2,208)
Interest expense	(362)	—	(362)
Pension plan adjustments (note 16)	(2,154)	—	(2,154)
Change in net assets	<u>(7,419)</u>	<u>(12,308)</u>	<u>(19,727)</u>
Net assets, beginning of year	<u>84,589</u>	<u>128,412</u>	<u>213,001</u>
Net assets, end of year	\$ <u><u>77,170</u></u>	<u><u>116,104</u></u>	<u><u>193,274</u></u>

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended September 30, 2020

(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	2020
Funding of World Vision International and U.S. domestic programs:								
Child sponsorship	\$ 250,797	—	—	250,797	—	—	—	250,797
Relief and rehabilitation, community development, and Christian impact and leadership projects	516,485	474	—	516,959	—	—	—	516,959
Gifts-in-kind	36,460	160,931	—	197,391	—	—	—	197,391
Gifts to other ministries	35,719	22,372	—	58,091	—	—	—	58,091
Salaries and benefits	16,707	4,381	3,099	24,187	36,658	47,789	84,447	108,634
Professional services	4,579	297	115	4,991	3,313	6,860	10,173	15,164
Media and advertising	229	12	206	447	672	10,281	10,953	11,400
Freight and postage	341	22	7	370	74	5,061	5,135	5,505
Printing	75	117	13	205	65	5,277	5,342	5,547
Travel	862	136	93	1,091	469	6,293	6,762	7,853
Occupancy	335	1,407	13	1,755	364	579	943	2,698
Supplies	2,183	3,140	109	5,432	413	1,207	1,620	7,052
Equipment, repairs, and maintenance	377	286	11	674	3,685	1,076	4,761	5,435
Depreciation and amortization	265	850	—	1,115	2,789	211	3,000	4,115
Other	52	297	—	349	6,353	322	6,675	7,024
Totals	\$ 865,466	194,722	3,666	1,063,854	54,855	84,956	139,811	1,203,665

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended September 30, 2019

(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	2019
Funding of World Vision International and U.S. domestic programs:								
Child sponsorship	\$ 245,616	—	—	245,616	—	—	—	245,616
Relief and rehabilitation, community development, and Christian impact and leadership projects	485,954	509	—	486,463	—	—	—	486,463
Gifts-in-kind	39,044	130,234	—	169,278	—	—	—	169,278
Gifts to other ministries	37,118	18,584	—	55,702	—	—	—	55,702
Salaries and benefits	16,541	4,395	2,527	23,463	39,356	47,768	87,124	110,587
Professional services	5,580	190	181	5,951	4,987	14,720	19,707	25,658
Media and advertising	222	3	269	494	2,306	9,881	12,187	12,681
Freight and postage	370	8	17	395	186	5,892	6,078	6,473
Printing	204	53	32	289	122	5,351	5,473	5,762
Travel	1,567	206	197	1,970	1,097	7,318	8,415	10,385
Occupancy	132	1,513	13	1,658	830	582	1,412	3,070
Supplies	1,063	1,020	99	2,182	546	1,090	1,636	3,818
Equipment, repairs, and maintenance	294	380	13	687	4,619	553	5,172	5,859
Depreciation and amortization	326	1,184	—	1,510	2,091	528	2,619	4,129
Other	85	252	41	378	6,451	96	6,547	6,925
Totals	\$ 834,116	158,531	3,389	996,036	62,591	93,779	156,370	1,152,406

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2020 and 2019

(In thousands of dollars)

	<u>2020</u>	<u>2019</u>
Cash flows provided by/(used in) operating activities:		
Change in net assets	\$ 23,234	(19,727)
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	4,115	4,129
Net realized and unrealized loss on investments	9,127	2,677
Loss on disposal of equipment	33	72
Noncash contributions	(12,832)	(8,521)
Proceeds from the sale of donated marketable securities	5,511	6,269
Noncash (increase)/decrease in inventory, net	(3,905)	8,386
Contributions restricted for investment in endowment	(1,020)	(45)
Loss on sale of donated real estate	231	46
Other changes in operating assets and liabilities:		
Accounts and other receivables, net	3,721	1,423
Grants receivable	12,911	1,043
Other assets	(11,338)	(2,124)
Charitable trusts receivable	2,054	1,791
Prepaid pension asset	(1,331)	2,303
Accounts payable and accrued expenses	5,196	(256)
Due to/(due from) World Vision International	(14,057)	17,351
Deferred revenue	7,463	(5,020)
Net cash provided by operating activities	<u>29,113</u>	<u>9,797</u>
Cash flows provided by/(used in) investing activities:		
Purchase of investments	(286,064)	(201,492)
Proceeds from the sale of investments	262,677	195,961
Acquisition of fixed assets	(788)	(1,934)
Proceeds from sale of fixed assets	103	14
Proceeds from the sale of donated real estate held as investment	1,427	1,139
Principal collected on notes receivable	2	1
Net cash used in investing activities	<u>(22,643)</u>	<u>(6,311)</u>
Cash flows provided by/(used in) financing activities:		
Contributions restricted for investment in endowment	1,020	45
Contributions subject to annuity trust agreements	504	389
Payments of trust obligations	(1,219)	(1,152)
Principal payments on notes payable	(4,430)	(4,319)
Net cash used in financing activities	<u>(4,125)</u>	<u>(5,037)</u>
Net change in cash and cash equivalents	2,345	(1,551)
Cash and cash equivalents, beginning of year	<u>4,841</u>	<u>6,392</u>
Cash and cash equivalents, end of year	\$ <u>7,186</u>	\$ <u>4,841</u>
Cash paid during the year for interest	\$ 253	362

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands of dollars)

(1) Organization Mission and Structure

(a) Mission

World Vision, Inc. 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. World Vision, Inc. and its wholly owned and combined affiliates (World Vision or the Organization) provide emergency relief and long-term community development programs around the world in nearly 100 countries. 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 comprised the following during the fiscal years ended September 30, 2020 and 2019:

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, and volunteers throughout the United States to serve distressed communities and neighborhoods in a variety of U.S. location, primarily through distribution of donated products, such as clothing, educational supplies, and home improvement materials, and through relief response to domestic disasters. This work is carried out in part through the Organization's network of product distribution warehouses, local churches, and nonprofit partners.

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 and involvement in solutions.

Management and General – The Organization invests 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 its life-changing programs.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands of dollars)

(b) Structure

The consolidated financial statements include the accounts of World Vision, Inc. and its wholly owned and controlled affiliates: World Vision Foundation (Foundation), World Vision Properties LLC (WVPLLC), and World Vision Real Properties LLC (WVRPLLC). 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, 2020 and 2019.

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-member 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. Certain cash equivalents included in the investment portfolio that are intended to be invested on a long-term basis are excluded from the consolidated statements of cash flow.

(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, 2020 and 2019. 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

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands of dollars)

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.

(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, 2020, the Organization had outstanding \$40,348 in conditional promises to give, excluding public grants. Of the conditional promises to give outstanding, \$36,000 is conditioned upon the raising of matching funds and \$4,348 is conditioned upon the completion of specific programmatic performance milestones. The Organization also had outstanding \$445,019 in conditional promises to give directly related to public grants as of September 30, 2020. Of the outstanding conditional promises to give related to public grants, \$334,273 was awarded by U.S. government donors and \$110,746 was awarded by multilateral 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 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 objectives of the Organization are to achieve a total rate of return consistent with acceptable risk that ensures the safety of principal and adequacy of liquidity in order to meet the obligations of the Organization while also achieving modest income generation and capital appreciation to provide additional return for the benefit of the children and communities we serve. To achieve the overall investment goals, some investment risk is taken. To moderate such risk, the Organization

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands of dollars)

diversifies its investments among various financial instruments and asset classes, and uses multiple investment strategies and investment managers.

Most of the Organization's financial assets are invested in money market instruments, mutual funds, fixed income, 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 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) Fixed Assets, Net

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 recorded 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 fixed asset, 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.

Fixed assets 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 fixed assets were recognized during the years ended September 30, 2020 and 2019.

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September 30, 2020 and 2019

(In thousands of dollars)

(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, which are 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, these trust assets 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. The excess of contributed assets over the annuity liability is recorded as contribution revenue without donor restrictions. Any actuarial gain or loss resulting from the computation of the liability for the present value of future annuity payments is recorded as 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

Net assets are classified based on the existence or absence of donor-imposed restrictions. The Organization's net assets and changes therein are classified and reported as follows:

With donor restrictions – Net assets that are comprised of gifts, including pledges and trusts, that are subject to donor-imposed restrictions. 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 permanent endowments). When the conditions related to donor-imposed restrictions are fulfilled, net

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September 30, 2020 and 2019

(In thousands of dollars)

assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Without donor restrictions – Net assets without donor restrictions are all the remaining net assets of the Organization. The only limits on these 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 recognized when cash, securities or other assets, or an unconditional promise to give are received. Contributions are recorded as with donor restrictions or without donor restrictions, 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.

(p) Gifts-in-Kind

Gifts-in-kind (GIK) received through private donations are recorded in accordance with U.S. GAAP and industry standards, including the Interagency GIK Standards developed by the Accord Network and the Private Voluntary Organization Standards developed by InterAction. The Accord Network and InterAction are two industry networks which collaborate 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.

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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 net realizable value in the 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.

(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. 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. Where practicable, expenses are directly classified to specific program or supporting service categories. Costs that are not specifically identifiable within functional categories are classified using allocation methods, such as time studies, square footage, and other methodologies. Accordingly, certain costs of joint activities related to fundraising, management and general, international programs, and public awareness and education have been allocated as indicated in note 15 to the program and supporting services that received the benefit.

(u) Non-Operating Activities

Non-operating activities consist primarily of pension actuarial gains or losses and realized and unrealized investment gains and 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

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Codification (ASC) 740, *Accounting for 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, 2020 and 2019.

(w) Newly Adopted Accounting Pronouncements

The Organization adopted Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* for its fiscal year ended September 30, 2020. This guidance is intended to bring standardization as to what is included in the statements of cash flows.

This ASU now requires that the statements of cash flows include amounts generally described as restricted cash or restricted cash equivalents in the total cash and cash equivalents amounts, regardless of how they are presented on the balance sheet. The adoption did not have an impact on the reported cash included in the consolidated statements of cash flows.

The Organization adopted ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* for its fiscal year ended September 30, 2020. This ASU requires reporting the service cost component of pension expense in the same line item or items as other compensation costs, and other components of net periodic benefit to be presented separately, outside of operating activities. The amendment has been applied on a retrospective basis in accordance with the guidance.

The Organization also implemented ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, for its fiscal year ended September 30, 2020 for both when the Organization is a recipient and a resource provider. This ASU clarifies the guidance for evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a contribution is conditional.

A conditional contribution under the new pronouncement must have both (a) a barrier to be overcome and (b) a right of return or right of release element. If donor stipulations include only one (or neither) of these two elements, the contribution is then considered unconditional and recognized immediately. Likewise, as a resource provider the expense is deferred for conditional awards and recognized immediately for unconditional awards. No new disclosures are required. The adoption did not have a material impact on reported net assets as of October 1, 2019 for either instance of when the Organization is a recipient or resource provider.

(x) Reclassifications

Certain amounts have been reclassified in the 2019 consolidated financial statements to conform to the presentation of the 2020 consolidated financial statements.

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(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 or published 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 or published 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.

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The following table presents financial instruments measured at fair value as of September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2020</u>
Current investments:				
Cash equivalents	\$ 105,531	—	—	105,531
Equity securities	197	—	—	197
Mutual funds:				
Equities	5,594	—	—	5,594
Fixed income	9,660	—	—	9,660
Fixed income	—	2	—	2
Total current investments	<u>120,982</u>	<u>2</u>	<u>—</u>	<u>120,984</u>
Noncurrent investments:				
Cash equivalents	2,402	—	—	2,402
Equity securities	2,822	—	—	2,822
Mutual funds:				
Equities	5,954	—	—	5,954
Fixed income	6,821	—	—	6,821
Fixed income	—	299	—	299
Total noncurrent investments	<u>17,999</u>	<u>299</u>	<u>—</u>	<u>18,298</u>
Total investments	<u>\$ 138,981</u>	<u>301</u>	<u>—</u>	<u>139,282</u>
Charitable trusts receivable	\$ —	—	10,124	10,124
Assets held in trust:				
Cash equivalents	\$ 316	—	—	316
Mutual funds:				
Equities	6,973	—	—	6,973
Fixed income	5,365	—	—	5,365
Total assets held in trust	<u>\$ 12,654</u>	<u>—</u>	<u>—</u>	<u>12,654</u>

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The following table presents financial instruments measured at fair value as of September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2019</u>
Current investments:				
Cash equivalents	\$ 60,351	—	—	60,351
Equity securities	13,511	—	—	13,511
Mutual funds:				
Equities	11,375	—	—	11,375
Fixed income	6,806	—	—	6,806
Fixed income	—	303	—	303
Real estate investment trusts	3,681	—	—	3,681
Master limited partnerships	3,133	—	—	3,133
Other assets	—	—	16	16
Total current investments	<u>98,857</u>	<u>303</u>	<u>16</u>	<u>99,176</u>
Noncurrent investments:				
Cash equivalents	10,006	—	—	10,006
Equity securities	2,236	—	—	2,236
Mutual funds:				
Equities	4,112	—	—	4,112
Fixed income	4,594	—	—	4,594
Fixed income	—	346	—	346
Real estate investment trusts	612	—	—	612
Master limited partnerships	521	—	—	521
Other assets	—	—	3	3
Total noncurrent investments	<u>22,081</u>	<u>346</u>	<u>3</u>	<u>22,430</u>
Total investments	<u>\$ 120,938</u>	<u>649</u>	<u>19</u>	<u>121,606</u>
Charitable trusts receivable	\$ —	—	10,855	10,855
Assets held in trust:				
Cash equivalents	\$ 294	—	—	294
Mutual funds:				
Equities	7,230	—	—	7,230
Fixed income	5,653	—	—	5,653
Total assets held in trust	<u>\$ 13,177</u>	<u>—</u>	<u>—</u>	<u>13,177</u>

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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.

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, 2020.

	<u>Investments</u>	<u>Charitable trusts receivable</u>
Balance at September 30, 2018	\$ 51	11,892
New contributions	—	754
Sales	—	—
Net change in value	<u>(32)</u>	<u>(1,791)</u>
Balance at September 30, 2019	19	10,855
New contributions	—	1,323
Sales	—	—
Net change in value	<u>(19)</u>	<u>(2,054)</u>
Balance at September 30, 2020	\$ <u>—</u>	<u>10,124</u>

(4) Liquidity and Availability

For the purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing services for families and communities around the world and in the U.S., public awareness and education, as well as the conduct of activities to support those service operations to be general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that all of its obligations will be discharged.

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The Organization monitors its working capital and liquidity to maintain financial assets to fund thirty days operating expenses. Liquidity at September 30 is as follows:

	<u>2020</u>	<u>2019</u>
Current financial assets at September 30:		
Cash and cash equivalents	\$ 7,186	4,841
Accounts and other receivables, net	2,723	4,543
Due from World Vision International	8,778	—
Grants receivable	13,400	26,311
Investments	<u>120,984</u>	<u>99,176</u>
Total current financial assets	153,071	134,871
Less amounts not available to be used within one year:		
Bank liquidity covenant	<u>(7,938)</u>	<u>(9,276)</u>
Total financial assets available for general expenditures within one year	145,133	125,595
Other resources available:		
Line of credit	<u>5,000</u>	<u>—</u>
Total financial assets and other resources available for general expenditures within one year	<u>\$ 150,133</u>	<u>125,595</u>

During the years ended September 30, 2020 and 2019, the Organization held \$19,980 and \$14,347 in short-term donor advised funds and designated funds, all of which are included in investments. The Organization generally uses these assets for grant making based on donor recommendations as described in note 2(h).

There was no outstanding line of credit balance at September 30, 2020.

(5) Endowments

Under Uniform Prudent Management of Institutional Funds Act (UPMIFA), the Organization's board has discretion to determine how much to appropriate of a donor-restricted endowment fund in accordance with a set of guidelines about what constitutes prudent spending. The Organization's assessment of prudence is guided by the duration and purposes of the fund, general economic conditions, inflation or deflation, expected return of investments, subject to the intent of a donor expressed in the gift instrument.

UPMIFA broadens and clarifies the latitude of institutions to manage overall endowment returns without specifically isolating those particular endowments that, because of the timing of the gift and market conditions, are deemed underwater. Under UPMIFA, the Organization is permitted to determine and continue a prudent payout amount, even if the market value of the endowment is below historic dollar value. Although UPMIFA offers short-term spending flexibility, the explicit consideration of the preservation of funds among factors for prudent spending suggests that a donor-restricted endowment fund is still perpetual in nature. There is an expectation that, over time, the historic dollar value will remain intact.

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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, 2020, the Organization had seven donor-restricted endowment funds totaling \$7,902 and one board-designated endowment fund totaling \$413. The purpose of the board-designated endowment is to supplement the Organization's sponsorship programs. During the year ended September 30, 2019, the Organization had seven donor-restricted endowment funds totaling \$8,849 and one board-designated endowment fund totaling \$442. During the years ended September 30, 2020 and 2019, these endowments had net investment (loss)/return of \$(1,990) and \$238, and amounts appropriated for expenditure of \$1 and \$275, respectively.

Underwater endowments, for which the fair value is less than the historic dollar value, are reported in net assets with donor restrictions. The amount underwater was \$2,131 and \$135 as of September 30, 2020 and 2019, respectively. These funds had an original gift value of \$10,446 and \$9,426 as of September 30, 2020 and 2019, respectively. The deficiencies resulted from unfavorable market fluctuations of investments.

(6) Inventory, Net

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>2020</u>	<u>2019</u>
GIK inventory, net	\$ 32,813	26,052
Food received for monetization or distribution	399	3,255
	<u>\$ 33,212</u>	<u>29,307</u>

(7) Fixed Assets, Net

Fixed assets comprised the following at September 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 6,792	6,792
Buildings and leasehold improvements	54,131	53,898
Equipment	12,768	13,816
Internally developed computer software	10,840	11,635
	84,531	86,141
Less accumulated depreciation and amortization	<u>(42,565)</u>	<u>(40,712)</u>
	<u>\$ 41,966</u>	<u>45,429</u>

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Depreciation and amortization expense for the years ended September 30, 2020 and 2019 was \$4,115 and \$4,129, respectively.

(8) Debt

At September 30, debt consisted of the following:

Line of Credit

During 2020, the Organization obtained a \$5,000 line of credit commitment with a bank for working capital purposes. It expires March 1, 2022. During 2020, there were no borrowings during the year and as of September 30, 2020, the outstanding balance was zero. The line of credit is unsecured but requires that the Organization maintain certain financial ratios. The Organization was in compliance with its covenant requirements as of and for the year ended September 30, 2020.

Notes Payable

	<u>2020</u>	<u>2019</u>
Note payable, due in monthly installments of \$390, including interest at 2.5%; final payment due May 2022	\$ 7,638	12,068
Charitable notes payable, interest only at 1.0% – 2.5%	<u>300</u>	<u>300</u>
	7,938	12,368
Less current portion	<u>(4,844)</u>	<u>(4,730)</u>
Long-term portion of notes payable	\$ <u>3,094</u>	<u>7,638</u>

Scheduled principal payments are due as follows:

Year ending September 30:	
2021	\$ 4,844
2022	<u>3,094</u>
	\$ <u>7,938</u>

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, 2020 and 2019.

Charitable notes payable are loans from donors where the repayment obligation of any unpaid principal or interest payable will be canceled upon the occurrence of certain events.

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(9) Obligations under Operating Leases

The Organization has commitments related to operating leases for buildings, facilities, and equipment at September 30, 2020 and 2019. All operating leases are noncancelable and expire on various dates through 2025.

Future minimum lease payments under noncancelable operating leases with initial or remaining terms of one year or more at September 30, 2020 are as follows:

	<u>Operating leases</u>
Year ending September 30:	
2021	\$ 1,205
2022	976
2023	546
2024	362
2025	<u>183</u>
	<u>\$ 3,272</u>

Lease and rent expenses for the years ended September 30, 2020 and 2019 were \$1,491 and \$1,586, 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 totaled \$8,826 and \$9,383 for the years ended September 30, 2020 and 2019, respectively.

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(11) Net Assets

Net assets without donor restrictions are comprised of the following at September 30:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 48,826	42,477
Board designated endowment	413	442
Donor advised funds and designated funds	19,579	17,579
Undistributed GIK contributions	11,275	12,028
Charitable gift annuities	2,591	2,335
Over funded status of pension plan	3,640	2,309
	<u>\$ 86,324</u>	<u>77,170</u>

Net assets with donor restrictions are comprised of the following at September 30:

	<u>2020</u>	<u>2019</u>
Purpose restricted:		
Child sponsorship and childcare ministries	\$ 55,652	54,474
Relief and rehabilitation, community development, and Christian impact and leadership projects	30,142	23,180
Undistributed GIK contributions	21,537	14,024
Domestic programs	782	348
Designated funds	1,036	1,434
Total purpose restricted	<u>109,149</u>	<u>93,460</u>
Time restricted:		
Split-interest agreements, the income from which is unrestricted upon expiration of certain time restrictions	10,686	11,687
Endowments	7,902	8,849
Perpetual trusts	2,447	2,108
Total time restricted	<u>21,035</u>	<u>22,644</u>
	<u>\$ 130,184</u>	<u>116,104</u>

(12) Public Cash and Food Commodity Grants

Public cash grants are received primarily through United States government agencies to further the exempt purpose of the Organization. Commodity grants are received primarily from USAID's Office of Food for Peace and the United Nations World Food Program. Food commodities are either distributed directly to beneficiaries or monetized. Sales proceeds are used to fund international relief and development programs. Non-food commodities are distributed directly to beneficiaries.

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

	<u>2020</u>	<u>2019</u>
Cash grants:		
Cash awards from USAID	\$ 190,306	168,846
Cash awards from World Food Program	13,521	14,176
Cash awards from other agencies	<u>56,589</u>	<u>57,680</u>
Total cash grants	<u>260,416</u>	<u>240,702</u>
Monetization grants from USAID	10,120	16,717
Commodity grants:		
Food commodities from USAID	37,472	29,434
Food commodities from World Food Program	107,695	99,263
Food commodities from other agencies	817	582
Non-food products from USAID	2,905	633
Non-food products from other agencies	1,023	—
Cash freight awards from USAID	4,959	5,052
Cash freight awards from other agencies	<u>374</u>	<u>307</u>
Total commodity grants	<u>155,245</u>	<u>135,271</u>
	<u>\$ 425,781</u>	<u>392,690</u>

(13) Gifts-in-Kind Revenue and Expense

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

	<u>2020</u>	<u>2019</u>
Household goods	\$ 87,881	90,641
Food	58,446	2,498
Building supplies	28,276	30,916
Clothing	26,867	14,295
Toys	20,145	4,359
School and office supplies	6,247	25,051
Books	5,618	15,038
Medical supplies	5,101	4,324
Other, including pharmaceuticals	<u>4,400</u>	<u>2,995</u>
	<u>\$ 242,981</u>	<u>190,117</u>

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GIK expense included in-kind goods distributed for the years ended September 30 as follows:

	<u>2020</u>	<u>2019</u>
Domestic programs	\$ 160,931	130,234
Partner agencies	38,528	31,802
World Vision International	<u>36,460</u>	<u>39,044</u>
	<u>\$ 235,919</u>	<u>201,080</u>

(14) Program Services

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

	<u>2020</u>			<u>2019</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	\$ 652,262	16,762	3,666	639,656	16,640	3,389
Gifts-in-kind	57,959	177,960	—	59,189	141,891	—
Commodity grants	<u>155,245</u>	<u>—</u>	<u>—</u>	<u>135,271</u>	<u>—</u>	<u>—</u>
Total program services	<u>\$ 865,466</u>	<u>194,722</u>	<u>3,666</u>	<u>834,116</u>	<u>158,531</u>	<u>3,389</u>

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

	<u>2020</u>	<u>2019</u>
Fundraising	\$ 1,004	1,057
Management and general	522	730
International programs	448	536
Public awareness and education	<u>111</u>	<u>131</u>
	<u>\$ 2,085</u>	<u>2,454</u>

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(16) Cash Balance Retirement Plan

The Organization participates jointly with World Vision International in a noncontributory cash balance retirement plan (the Plan). Effective September 30, 2018, the plan was frozen and no additional pay credits were earned after that date. The Plan covered substantially all regular full-time employees of the Organization. Under the Plan, the Organization added an annual pay credit and interest credit to a participant's account each December. The annual pay credit was discontinued in connection with the plan freeze. 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.

The following table sets forth the actuarial assumptions related to the Plan. Assumptions as of September 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	1.90 %	2.65 %
Expected return on plan assets	5.00	5.50

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:

	2020		2019	
	World Vision, Inc.	Total plan	World Vision, Inc.	Total plan
Projected benefit obligations at beginning of year	\$ 93,519	130,505	87,631	123,250
Change in projected benefit obligations:				
Service cost	130	180	143	200
Interest cost	2,312	3,208	3,148	4,393
Changes in assumptions	3,215	5,249	6,894	9,789
Actuarial loss	1,144	1,587	773	1,079
Benefits paid	(4,657)	(7,975)	(4,927)	(8,006)
Expenses paid	(130)	(180)	(143)	(200)
Projected benefit obligations at end of year	<u>95,533</u>	<u>132,574</u>	<u>93,519</u>	<u>130,505</u>
Accumulated benefit obligations at end of year	<u>95,533</u>	<u>132,574</u>	<u>93,519</u>	<u>130,505</u>
Plan assets at fair value at beginning of year	95,828	133,726	92,243	129,737
Change in plan assets:				
Actual return on plan assets	8,649	12,002	8,748	12,207
Benefits paid	(4,657)	(7,975)	(4,927)	(8,006)
Expenses paid	(92)	(128)	(152)	(212)
Changes in assumptions	(555)	—	(84)	—
Plan assets at fair value at end of year	<u>99,173</u>	<u>137,625</u>	<u>95,828</u>	<u>133,726</u>
Funded status	<u>\$ 3,640</u>	<u>5,051</u>	<u>2,309</u>	<u>3,221</u>
Asset recognized in the statement of financial position as prepaid pension	\$ 3,640	—	2,309	—
Pension plan (gain)/loss recognized in non-operating activities	(1,461)	—	2,154	—

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands of dollars)

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

	2020		2019	
	World Vision, Inc.	Total plan	World Vision, Inc.	Total plan
Service cost	\$ 130	180	143	200
Interest cost	2,312	3,208	3,148	4,393
Expected return on plan assets	(4,921)	(6,828)	(5,611)	(7,829)
Amortization of net loss	49	68	—	—
Net periodic benefit credit \$	<u>(2,430)</u>	<u>(3,372)</u>	<u>(2,320)</u>	<u>(3,236)</u>

(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, 2020:

	Level 1	Level 2	Level 3	2020
Cash equivalents	\$ 94	674	—	768
Equity securities	8,170	—	—	8,170
Commingled funds:				
Equities	6,924	—	—	6,924
Bonds	2,719	—	—	2,719
Other fixed income	114,143	—	—	114,143
Total plan assets measured at fair value	132,050	674	—	132,724
Plan assets measured at NAV	—	—	—	4,901
Total plan assets \$	<u>132,050</u>	<u>674</u>	<u>—</u>	<u>137,625</u>

WORLD VISION, INC. AND AFFILIATES
Notes to Consolidated Financial Statements
September 30, 2020 and 2019
(In thousands of dollars)

The following table presents assets that are measured at fair value at September 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2019</u>
Cash equivalents	\$ 166	461	—	627
Equity securities	12,419	—	—	12,419
Commingled funds:				
Equities	11,600	—	—	11,600
Bonds	5,024	—	—	5,024
Other fixed income	99,135	—	—	99,135
Total plan assets measured at fair value	128,344	461	—	128,805
Plan assets measured at NAV	—	—	—	4,921
Total plan assets	<u>\$ 128,344</u>	<u>461</u>	<u>—</u>	<u>133,726</u>

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.

(b) Estimated Future Payments

Due to the funded status of the Plan, the Plan contribution for the year ending September 30, 2021 is expected to be \$0. Assuming the majority of 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, as of the year ended September 30:

	<u>World Vision, Inc.</u>	<u>Total plan</u>
2021	\$ 13,086	19,629
2022	8,650	12,975
2023	8,728	13,092
2024	8,401	12,602
2025	6,082	9,122
2026–2030	21,918	32,877
	<u>\$ 66,865</u>	<u>100,297</u>

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2020 and 2019

(In thousands of dollars)

(17) 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. Employees are eligible to make voluntary pretax contributions beginning the first day of hire. Employees are eligible to receive employer contributions equal to 5% of gross salary after one year of service and matching contributions up to 5% of gross salary, depending on years of service. During 2020, matching contributions were temporarily suspended between May and September 2020.

The Organization contributed \$5,658 and \$6,904 for the years ended September 30, 2020 and 2019, 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 2019, 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.

The current global pandemic, Coronavirus Disease 2019 (COVID-19), continues to impact certain operations of the Organization. However, COVID-19 has not had a significant impact on the financial results of the Organization.

(19) Subsequent Events

Subsequent events have been evaluated through December 7, 2020, 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.

