



WORLD VISION, INC. AND AFFILIATES

Consolidated Financial Statements

September 30, 2021

(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 statement of net position as of September 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 audit. We conducted our audit 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, 2021 and the changes in their net assets and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.



Report of Summarized Comparative Information

We have previously audited World Vision, Inc. and affiliates' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 7, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2020 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Seattle, Washington
December 6, 2021

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Financial Position

September 30, 2021

(With comparative totals for September 30, 2020)

(In thousands of dollars)

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 12,181	7,186
Grants, accounts and other receivables, net	28,067	16,123
Due from World Vision International	8,886	8,778
Investments (note 3)	182,916	120,984
Inventory, net (note 6)	29,629	33,212
Other assets	20,740	28,461
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Total current assets	282,419	214,744
Noncurrent assets:		
Investments (note 3)	19,112	18,298
Fixed assets, net (note 7)	39,171	41,966
Charitable trusts receivable (note 3)	8,872	10,124
Assets held in trust (note 3)	12,641	12,654
Prepaid pension asset (note 16)	8,213	3,640
Other assets	2,075	2,854
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Total noncurrent assets	90,084	89,536
Total assets	\$ <u>372,503</u>	<u>304,280</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 28,733	36,495
Deferred revenue	16,988	25,779
Notes payable (note 8)	300	4,844
	<hr/>	<hr/>
Total current liabilities	46,021	67,118
Noncurrent liabilities:		
Accrued expenses	—	2,168
Deferred revenue	1,214	1,347
Charitable gift annuities	5,714	5,219
Amounts held for others (note 10)	9,239	8,826
Notes payable, net of current portion (note 8)	—	3,094
	<hr/>	<hr/>
Total noncurrent liabilities	16,167	20,654
Total liabilities	<hr/>	<hr/>
	62,188	87,772
Net assets (note 11):		
Without donor restrictions	122,263	86,324
With donor restrictions	188,052	130,184
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Total net assets	310,315	216,508
Total liabilities and net assets	\$ <u>372,503</u>	<u>304,280</u>

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Activities

Year ended September 30, 2021

(With summarized comparative totals for September 30, 2020)

(In thousands of dollars)

	Without donor restrictions	With donor restrictions	Total 2021	Total 2020
Operating revenue:				
Contributions, primarily private cash	\$ 52,804	544,024	596,828	559,540
Public grants (note 12):				
Cash grants	287,700	—	287,700	265,749
Non-cash grants, primarily commodities	133,071	—	133,071	160,032
Total public grants	420,771	—	420,771	425,781
Gifts-in-kind (note 13)	180,727	105,685	286,412	242,981
Other income, net	2,685	1,407	4,092	5,018
Net assets released from restriction:				
Due to expiration of time (split-interest agreements)	2,582	(2,582)	—	—
Due to satisfaction of program restrictions	590,666	(590,666)	—	—
Total operating revenue	1,250,235	57,868	1,308,103	1,233,320
Operating expenses (note 1):				
Program services (note 14):				
International programs	836,211	—	836,211	865,466
Domestic programs	254,165	—	254,165	194,722
Public awareness and education	2,469	—	2,469	3,666
Total program services	1,092,845	—	1,092,845	1,063,854
Supporting services:				
Management and general	51,808	—	51,808	52,034
Fundraising	75,445	—	75,445	87,777
Total supporting services	127,253	—	127,253	139,811
Total operating expenses	1,220,098	—	1,220,098	1,203,665
Change in net assets from operating activities	30,137	57,868	88,005	29,655
Non-operating activities:				
Investment and other gains/(losses), net	1,022	—	1,022	(10,225)
Unrealized gain on investments	215	—	215	2,596
Interest expense	(147)	—	(147)	(253)
Pension plan adjustments (note 16)	4,712	—	4,712	1,461
Change in net assets from non-operating activities	5,802	—	5,802	(6,421)
Change in net assets	35,939	57,868	93,807	23,234
Net assets, beginning of year	86,324	130,184	216,508	193,274
Net assets, end of year	\$ 122,263	188,052	310,315	216,508

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended September 30, 2021

(With summarized comparative totals for September 30, 2020)

(In thousands of dollars)

	Program services			Supporting services			Total	Total	
	International programs	Domestic programs	Public awareness and education	Total program services	Management and general	Fundraising	Total supporting services	2021	2020
Funding of World Vision International and U.S. domestic programs:									
Child sponsorship	\$ 242,489	—	—	242,489	—	—	—	242,489	250,797
Relief and rehabilitation, community development, and Christian impact and leadership projects	500,639	1,244	—	501,883	—	—	—	501,883	516,959
Gifts-in-kind	31,589	228,958	—	260,547	—	—	—	260,547	197,391
Gifts to other ministries	34,928	14,209	—	49,137	—	—	—	49,137	58,091
Salaries and benefits	16,833	4,510	2,048	23,391	32,773	46,898	79,671	103,062	108,634
Professional services	5,414	409	129	5,952	3,534	3,523	7,057	13,009	15,164
Media and advertising	137	6	125	268	2,518	8,142	10,660	10,928	11,400
Freight and postage	231	44	13	288	230	5,280	5,510	5,798	5,505
Printing	159	12	43	214	231	4,916	5,147	5,361	5,547
Travel	107	67	12	186	121	2,029	2,150	2,336	7,853
Occupancy	368	1,692	10	2,070	318	571	889	2,959	2,698
Supplies	2,511	1,612	72	4,195	491	1,783	2,274	6,469	7,052
Equipment, repairs, and maintenance	481	300	17	798	3,377	1,807	5,184	5,982	5,435
Depreciation and amortization	255	849	—	1,104	2,517	232	2,749	3,853	4,115
Other	70	253	—	323	5,698	264	5,962	6,285	7,024
Totals	\$ 836,211	254,165	2,469	1,092,845	51,808	75,445	127,253	1,220,098	1,203,665

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended September 30, 2021

(With comparative totals for September 30, 2020)

(In thousands of dollars)

	<u>2021</u>	<u>2020</u>
Cash flows provided by/(used in) operating activities:		
Change in net assets	\$ 93,807	23,234
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,853	4,115
Net realized and unrealized (gain)/loss on investments	(5,244)	9,127
Loss on disposal of equipment	16	33
Non-cash contributions	(24,379)	(16,737)
Proceeds from the sale of donated marketable securities	12,256	5,511
Contributions restricted for investment in endowment	(8)	(1,020)
Loss on sale of donated real estate	104	231
Other changes in operating assets and liabilities:		
Grants, accounts and other receivables, net	51	16,632
Due from World Vision International	(108)	(14,057)
Other assets	8,663	(11,338)
Charitable trusts receivable	2,654	2,054
Prepaid pension asset	(4,573)	(1,331)
Accounts payable and accrued expenses	(9,930)	5,196
Deferred revenue	(8,924)	7,463
Net cash provided by operating activities	<u>68,238</u>	<u>29,113</u>
Cash flows provided by/(used in) investing activities:		
Purchase of investments	(187,470)	(286,064)
Proceeds from the sale of investments	131,930	262,677
Acquisition of fixed assets	(1,074)	(788)
Proceeds from sale of fixed assets	—	103
Proceeds from the sale of donated real estate held as investment	1,721	1,427
Principal collected on notes receivable	2	2
Net cash used in investing activities	<u>(54,891)</u>	<u>(22,643)</u>
Cash flows provided by/(used in) financing activities:		
Proceeds from contributions restricted for investment in endowment	8	1,020
Contributions subject to asset held in trust and charitable annuity trust agreements	1,046	504
Payments of asset held in trust and charitable annuity trust agreements	(1,768)	(1,219)
Principal payments on notes payable	(7,638)	(4,430)
Net cash used in financing activities	<u>(8,352)</u>	<u>(4,125)</u>
Net change in cash and cash equivalents	4,995	2,345
Cash and cash equivalents, beginning of year	<u>7,186</u>	<u>4,841</u>
Cash and cash equivalents, end of year	\$ <u>12,181</u>	\$ <u>7,186</u>
Cash paid during the year for interest	\$ 147	253

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021

(With comparative information for 2020)

(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 through the work of their staff in nearly 100 countries. The Organization also engages – and equips volunteers to engage – in the essential ministry of advocacy, working to changing policies and practices that keep children and families in poverty from living the full lives God intended. This work includes empowering children, families, and community leaders to advocate on their own behalf. 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, 2021 and 2020:

International Programs – The Organization partners with families and communities around the world to design and implement locally contextualized plans to overcome poverty by helping to establish sustainable access to critical resources such as clean water, nutritious food, basic healthcare, education, income-generating opportunities, child protection programs, 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 empower and equip the most vulnerable children to attain physical, emotional, and spiritual well-being. 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, nonprofit organizations, and volunteers throughout the United States to serve distressed communities and neighborhoods in a variety of U.S. locations, primarily through distribution of donated products such as clothing, educational supplies, and home improvement materials, and through relief response to domestic disasters such as hurricanes, floods, and the COVID-19 pandemic. This work is carried out in part through the Organization's network of product distribution warehouses, local churches, community leaders, and nonprofit partners.

Public Awareness and Education – The Organization seeks to make government officials and the public aware of, and encourage them to take action on, global 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.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021

(With comparative information for 2020)

(In thousands of dollars)

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

(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, 2021 and 2020.

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.

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Notes to Consolidated Financial Statements

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(With comparative information for 2020)

(In thousands of dollars)

(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, 2021 and 2020. The Organization performs an ongoing evaluation of the commercial bank to limit its concentration of credit risk exposure. Additionally, the Organization is exposed to risk of credit loss for certain investments in the event of nonperformance by the other parties to the investment transactions. Those investments include all collective funds or mutual funds that invest in credit instruments such as bonds. However, the Organization does not anticipate nonperformance by the other parties.

(e) Grants, Accounts and Other Receivables

Grants receivable consists of public grant funds receivable from the United States Agency for International Development (USAID), the United States Department of Agriculture (USDA), and other public grantors, and public funds advanced to subgrant partners. Grant receivables include both invoiced amounts and estimates based on estimated project spending, 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 must have both (a) a barrier to be overcome and (b) a right of return or right of release element present, therefore they are not included as revenue or pledges receivable until such time as the conditions have been substantially met. As of September 30, 2021 and 2020, the Organization had outstanding \$105,314 and \$40,348 related to private grants in conditional promises to give, respectively. The Organization also had outstanding \$776,062 and \$445,018 in conditional promises to give directly related to public grants as of September 30, 2021 and 2020, respectively.

(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.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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(With comparative information for 2020)

(In thousands of dollars)

(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 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 cash equivalents, mutual funds, fixed income, and equity instruments. 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, all investment gains and losses, 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.

WORLD VISION, INC. AND AFFILIATES

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(With comparative information for 2020)

(In thousands of dollars)

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, 2021 and 2020.

(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, the irrevocable 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.

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(With comparative information for 2020)

(In thousands of dollars)

(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 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

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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(With comparative information for 2020)

(In thousands of dollars)

selling the goods in their principal exit markets considering the goods condition and utility for use at the time of contribution. The Organization does not sell donated GIK and only distributes the goods for program use.

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

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

GIK expense is recorded when the goods are distributed for program use. The inventory is valued using the same methodologies discussed above. The Organization believes that this approximates the lower of cost or 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.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021

(With comparative information for 2020)

(In thousands of dollars)

(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 Financial Accounting Standards Board (FASB) Accounting Standards 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, 2021 and 2020.

(w) Newly Adopted Accounting Pronouncements

The Organization has elected to early adopt FASB Accounting Standards Update (ASU) No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets* for its fiscal year ended September 30, 2021. This guidance is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhanced presentation and disclosure.

This ASU requires that nonfinancial assets are presented as separate line items in the statement of activities and disclosures include a disaggregation of the amount contributed by category, a description of donor restriction, and valuation techniques for the nonfinancial assets received. The adoption did not have a material impact on reported net assets as of October 1, 2020, however it did result in a reclassification to adhere to the presentation requirements in the consolidated statement of activities.

The Organization adopted ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement* for its fiscal year ended September 30, 2021. The primary focus of this ASU is to improve the effectiveness of disclosures in the notes to financial statements related to fair value measurements. The adoption did not have a material impact on the disclosures presented and were applied in accordance with the guidance herein.

(x) Comparative Financial Information

The accompanying consolidated financial statements include summarized prior year information within the consolidated statement of activities and the consolidated statement of functional expenses. Accordingly, such information should be read in conjunction with the Organization's prior year consolidated financial statements from which the summarized information was derived.

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(y) Reclassifications

Certain amounts have been reclassified in the 2020 consolidated financial statements to conform to the presentation of the 2021 consolidated financial statements.

(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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2021</u>
Current investments:				
Cash equivalents	\$ 141,597	—	—	141,597
Mutual funds:				
Fixed income	23,962	—	—	23,962
Equities	11,967	—	—	11,967
Equity securities	5,390	—	—	5,390
Total current investments	<u>182,916</u>	<u>—</u>	<u>—</u>	<u>182,916</u>
Noncurrent investments:				
Cash equivalents	423	—	—	423
Mutual funds:				
Fixed income	4,434	—	—	4,434
Equities	10,372	—	—	10,372
Fixed income	332	—	—	332
Equity securities	3,551	—	—	3,551
Total noncurrent investments	<u>19,112</u>	<u>—</u>	<u>—</u>	<u>19,112</u>
Total investments	<u>\$ 202,028</u>	<u>—</u>	<u>—</u>	<u>202,028</u>
Charitable trusts receivable	\$ —	—	8,872	8,872
Assets held in trust:				
Cash equivalents	\$ 357	—	—	357
Mutual funds:				
Fixed income	3,597	—	—	3,597
Equities	8,687	—	—	8,687
Total assets held in trust	<u>\$ 12,641</u>	<u>—</u>	<u>—</u>	<u>12,641</u>

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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
Mutual funds:				
Fixed income	9,660	—	—	9,660
Equities	5,594	—	—	5,594
Fixed income	—	2	—	2
Equity securities	197	—	—	197
Total current investments	<u>120,982</u>	<u>2</u>	<u>—</u>	<u>120,984</u>
Noncurrent investments:				
Cash equivalents	2,402	—	—	2,402
Mutual funds:				
Fixed income	6,821	—	—	6,821
Equities	5,954	—	—	5,954
Fixed income	299	—	—	299
Equity securities	2,822	—	—	2,822
Total noncurrent investments	<u>18,298</u>	<u>—</u>	<u>—</u>	<u>18,298</u>
Total investments	<u>\$ 139,280</u>	<u>2</u>	<u>—</u>	<u>139,282</u>
Charitable trusts receivable	\$ —	—	10,124	10,124
Assets held in trust:				
Cash equivalents	\$ 316	—	—	316
Mutual funds:				
Fixed income	5,365	—	—	5,365
Equities	6,973	—	—	6,973
Total assets held in trust	<u>\$ 12,654</u>	<u>—</u>	<u>—</u>	<u>12,654</u>

The majority of the investments held by the Organization have been classified within Level 1. The Organization occasionally 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 Organization received new contributions of

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charitable trusts receivable which are held as Level 3 investments of \$1,402 and \$1,323 as of September 30, 2021 and 2020, respectively. There were no transfers between Level 1 and Level 2 during the year ended September 30, 2021 and 2020.

(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.

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>2021</u>	<u>2020</u>
Current financial assets at September 30:		
Cash and cash equivalents	\$ 12,181	7,186
Grants, accounts and other receivables, net	28,067	16,123
Due from World Vision International	8,886	8,778
Investments	<u>182,916</u>	<u>120,984</u>
Total current financial assets	232,050	153,071
Less amounts not available to be used within one year:		
Bank liquidity covenant	<u>(300)</u>	<u>(7,938)</u>
Total financial assets available for general expenditures within one year	231,750	145,133
Other resources available:		
Line of credit	<u>5,000</u>	<u>5,000</u>
Total financial assets and other resources available for general expenditures within one year	<u>\$ 236,750</u>	<u>150,133</u>

During the years ended September 30, 2021 and 2020, the Organization held \$19,959 and \$19,980 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, 2021 and 2020.

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(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, and 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.

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, 2021 and 2020, the Organization had seven donor-restricted endowment funds and one board-designated endowment fund. The purpose of the board-designated endowment is to supplement the Organization's sponsorship programs. Net assets of endowments at September 30 were as follows:

	2021			2020		
	Without Donor Restriction	With Donor Restriction	Total	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, beginning of year	\$ 413	7,902	8,315	442	8,849	9,291
Contributions/transfers	197	(189)	8	73	947	1,020
Investment return, net of fees	63	1,176	1,239	(102)	(1,893)	(1,995)
Appropriated for expenditure	—	(43)	(43)	—	(1)	(1)
Endowment net assets, end of year	\$ 673	8,846	9,519	413	7,902	8,315

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 \$935 and \$2,131 as of September 30, 2021 and 2020, respectively. These funds had an original gift value of \$10,454 and \$10,446 as of September 30, 2021 and 2020, respectively. The deficiencies resulted from unfavorable market fluctuations of investments.

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(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>2021</u>	<u>2020</u>
GIK inventory, net	\$ 29,552	32,813
Food received for monetization or distribution	<u>77</u>	<u>399</u>
	<u>\$ 29,629</u>	<u>33,212</u>

(7) Fixed Assets, Net

Fixed assets comprised the following at September 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 6,792	6,792
Buildings and leasehold improvements	54,894	54,131
Equipment	12,304	12,768
Internally developed computer software	<u>10,920</u>	<u>10,840</u>
	84,910	84,531
Less accumulated depreciation and amortization	<u>(45,739)</u>	<u>(42,565)</u>
	<u>\$ 39,171</u>	<u>41,966</u>

Depreciation and amortization expense for the years ended September 30, 2021 and 2020 was \$3,853 and \$4,115, respectively.

(8) Debt

At September 30, debt consisted of the following:

Line of Credit

The Organization has a \$5,000 line of credit commitment with a bank for working capital purposes. It expires March 1, 2022. During 2021 and 2020 there were no borrowings and as of September 30, 2021 and 2020, the outstanding balance was zero, respectively. The line of credit is unsecured but requires that

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the Organization maintain certain financial ratios. The Organization was in compliance with its covenant requirements as of and for the year ended September 30, 2021 and 2020, respectively.

Notes Payable

	2021	2020
Note payable, due in monthly installments of \$390, including interest at 2.5%; paid in full June 2021	\$ —	7,638
Charitable notes payable, interest only at 1.0%–2.5%	300	300
	300	7,938
Less current portion	(300)	(4,844)
Long-term portion of notes payable	\$ —	3,094

Scheduled principal payments are due as follows:

Year ending September 30:	
2022	\$ 300
Thereafter	—
	\$ 300

The Organization's note payable included covenants that required the Organization to maintain certain financial ratios. The Organization was in compliance with its covenant requirements as of and for the year ended September 30, 2020 and through June 2021 when the remaining balances was paid in full.

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.

(9) Obligations under Operating Leases

The Organization has commitments related to operating leases for buildings, facilities, and equipment at September 30, 2021 and 2020. All operating leases are noncancelable and expire on various dates through 2026.

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Future minimum lease payments under noncancelable operating leases with initial or remaining terms of one year or more at September 30, 2021 are as follows:

	Operating leases
Year ending September 30:	
2022	\$ 1,173
2023	775
2024	607
2025	446
2026	285
	\$ 3,286

Lease and rent expenses for the years ended September 30, 2021 and 2020 were \$1,535 and \$1,491, 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 \$9,239 and \$8,826 for the years ended September 30, 2021 and 2020, respectively.

(11) Net Assets

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

	2021	2020
Undesignated	\$ 77,662	48,826
Board designated endowment	673	413
Donor advised funds and designated funds	20,118	19,579
Undistributed GIK contributions	11,745	11,275
Charitable gift annuities	3,852	2,591
Over funded status of pension plan	8,213	3,640
	\$ 122,263	86,324

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

	<u>2021</u>	<u>2020</u>
Purpose restricted:		
Child sponsorship and childcare ministries	\$ 84,257	55,652
Relief and rehabilitation, community development, and Christian impact and leadership projects	64,607	30,142
Undistributed GIK contributions	17,808	21,537
Domestic programs	540	782
Designated funds	427	1,036
Total purpose restricted	<u>167,639</u>	<u>109,149</u>
Time restricted:		
Split-interest agreements, the income from which is unrestricted upon expiration of certain time restrictions	9,366	10,686
Endowments	8,846	7,902
Perpetual trusts	2,201	2,447
Total time restricted	<u>20,413</u>	<u>21,035</u>
	<u>\$ 188,052</u>	<u>130,184</u>

(12) Public Cash and Non-cash Grants

Public cash grants are received primarily through United States government and multilateral agencies to further the exempt purpose of the Organization. Commodity grants of nonfinancial assets are received primarily from USAID's Office of Food for Peace and the United Nations World Food Program and are valued using guidelines published by the donating entities and reviewed for appropriateness by the Organization. Food commodities are either distributed directly to beneficiaries or monetized based on grant requirements as part of international programs. Sales proceeds are used to fund international relief and development programs. Non-food commodities are valued based on actual costs paid by the donors and distributed directly to beneficiaries as part of international programs. In the case of both food and non-food commodities, donor conditions are simultaneously satisfied when revenue is recognized.

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Cash and non-cash grant revenue are as follows for the years ended September 30:

	<u>2021</u>	<u>2020</u>
Cash grants:		
Cash awards from USAID	\$ 177,430	190,306
Cash awards from Global Fund	65,543	33,447
Cash awards from World Food Program	11,478	13,521
Cash awards from other agencies	26,865	23,142
Cash freight awards from USAID	5,751	4,959
Cash freight awards from other agencies	633	374
Total cash grants	<u>287,700</u>	<u>265,749</u>
Non-cash grants:		
Monetization grants from USAID	2,921	10,120
Food commodities from USAID	39,487	37,472
Food commodities from World Food Program	87,435	107,695
Food commodities from other agencies	1,593	817
Non-food commodities from USAID	1,635	2,905
Non-food commodities from other agencies	—	1,023
Total non-cash grants	<u>133,071</u>	<u>160,032</u>
	<u>\$ 420,771</u>	<u>425,781</u>

(13) Gifts-in-Kind Revenue and Expense

Contributed nonfinancial assets received from private donors during the years ended September 30 were as follows:

	<u>2021</u>				<u>2020</u>			
	<u>With Donor Restriction International</u>	<u>With Donor Restriction Domestic</u>	<u>Without Donor Restriction</u>	<u>Total</u>	<u>With Donor Restriction International</u>	<u>With Donor Restriction Domestic</u>	<u>Without Donor Restriction</u>	<u>Total</u>
Household goods	\$ 4,827	6,445	149,173	160,445	5,348	3,966	78,567	87,881
Food	1,185	68,980	1,502	71,667	1,039	55,331	2,076	58,446
Clothing	7,207	1,656	7,429	16,292	17,140	5,507	4,220	26,867
Building supplies	175	4,419	7,680	12,274	164	11,316	16,796	28,276
Medical supplies	531	39	8,580	9,150	812	66	4,223	5,101
Toys	645	3,972	2,432	7,049	908	17,072	2,165	20,145
Books	249	3,607	1,480	5,336	4,071	42	1,505	5,618
School and office supplies	9	645	1,025	1,679	838	4,641	768	6,247
Pharmaceuticals	967	—	—	967	1,316	—	—	1,316
Other	78	49	1,426	1,553	443	1,985	656	3,084
	<u>\$ 15,873</u>	<u>89,812</u>	<u>180,727</u>	<u>286,412</u>	<u>32,079</u>	<u>99,926</u>	<u>110,976</u>	<u>242,981</u>

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Except for food and pharmaceuticals, fair value reflects estimated wholesale values that would be received for selling similar products in the United States. Food includes \$68,870 and \$56,370 received as part of the USDA Farmers to Families Food Box program valued using USDA listed values for the years ended September 30, 2021 and 2020, respectively. Pharmaceuticals were valued using International Medical Products Guide and supplier wholesale prices. These prices approximate wholesale exit prices (principal market) in the developing markets in which the products are approved for sale. It is the Organization's policy not to sell GIK. All donations will be used in domestic or international programs according to the donor restrictions, or in their absence, according to programmatic needs. Contributions may be held in inventory at year-end, resulting in timing differences between their receipt and utilization in programs.

GIK expense was utilized as follows for the years ended September 30:

	<u>2021</u>	<u>2020</u>
Domestic programs	\$ 228,958	160,931
Partner agencies	29,520	38,528
World Vision International	<u>31,589</u>	<u>36,460</u>
	\$ <u>290,067</u>	<u>235,919</u>

(14) Program Services

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

	<u>2021</u>			<u>2020</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	\$ 648,655	18,583	2,469	647,475	16,762	3,666
Gifts-in-kind	54,485	235,582	—	57,959	177,960	—
Non-cash grants	<u>133,071</u>	<u>—</u>	<u>—</u>	<u>160,032</u>	<u>—</u>	<u>—</u>
Total program services	\$ <u>836,211</u>	<u>254,165</u>	<u>2,469</u>	<u>865,466</u>	<u>194,722</u>	<u>3,666</u>

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(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>2021</u>	<u>2020</u>
Fundraising	\$ 500	1,004
Management and general	306	522
International programs	269	448
Public awareness and education	46	111
	<u>\$ 1,121</u>	<u>2,085</u>

(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 are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	2.25 %	1.90 %
Expected return on plan assets	4.00	5.00

Assumptions used for the Net Periodic Benefit Credit for the years ended September 30 are as follows:

	<u>2021</u>	<u>2020</u>
Discount rate	1.90/2.50/2.20%	2.65 %
Expected return on plan assets	5.00/4.00	5.50

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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.

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

	2021		2020	
	World Vision, Inc.	Total plan	World Vision, Inc.	Total plan
Projected benefit obligations at beginning of year	\$ 95,533	132,574	93,519	130,505
Change in projected benefit obligations:				
Service cost	139	200	130	180
Interest cost	1,782	2,557	2,312	3,208
Changes in assumptions	(3,656)	(4,964)	3,215	5,249
Actuarial gain	1,234	1,703	1,144	1,587
Benefits paid	(2,391)	(3,604)	(1,939)	(3,321)
Settlements	(4,785)	(7,216)	(2,718)	(4,654)
Expenses paid	(145)	(200)	(130)	(180)
Projected benefit obligations at end of year	87,711	121,050	95,533	132,574
Accumulated benefit obligations at end of year	87,711	121,050	95,533	132,574
Plan assets at fair value at beginning of year	99,173	137,625	95,828	133,726
Change in plan assets:				
Actual return on plan assets	4,073	5,781	8,094	12,002
Benefits paid	(2,391)	(3,604)	(1,939)	(3,321)
Settlements	(4,785)	(7,216)	(2,718)	(4,654)
Expenses paid	(146)	(202)	(92)	(128)
Plan assets at fair value at end of year	95,924	132,384	99,173	137,625
Funded status	\$ 8,213	11,334	3,640	5,051

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	2021		2020	
	World Vision, Inc.	Total plan	World Vision, Inc.	Total plan
Asset recognized in the consolidated statement of financial position as prepaid pension	\$ 8,213	—	3,640	—
Pension plan (gain) recognized in non-operating activities	(4,712)	—	(1,461)	—

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

	2021		2020	
	World Vision, Inc.	Total plan	World Vision, Inc.	Total plan
Service cost	\$ 139	200	130	180
Interest cost	1,782	2,557	2,312	3,208
Expected return on plan assets	(4,023)	(5,774)	(4,921)	(6,828)
Amortization of net loss	49	71	49	68
Net periodic benefit credit	(2,053)	(2,946)	(2,430)	(3,372)
Settlement cost	430	617	377	523
Total	\$ (1,623)	(2,329)	(2,053)	(2,849)

(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.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2021

(With comparative information for 2020)

(In thousands of dollars)

The following table presents assets that are measured at fair value at September 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2021</u>
Cash equivalents	\$ 627	4	—	631
Equity securities	6,509	—	—	6,509
Commingled funds:				
Equities	3,449	—	—	3,449
Other fixed income	<u>121,795</u>	<u>—</u>	<u>—</u>	<u>121,795</u>
Total plan assets measured at fair value	132,380	4	—	132,384
Plan assets measured at NAV	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total plan assets	<u>\$ 132,380</u>	<u>4</u>	<u>—</u>	<u>132,384</u>

The following table presents assets that are measured at fair value at September 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2020</u>
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	<u>114,143</u>	<u>—</u>	<u>—</u>	<u>114,143</u>
Total plan assets measured at fair value	132,050	674	—	132,724
Plan assets measured at NAV	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,901</u>
Total plan assets	<u>\$ 132,050</u>	<u>674</u>	<u>—</u>	<u>137,625</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.

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(In thousands of dollars)

(b) Estimated Future Payments

Due to the funded status of the Plan, the Plan contribution for the year ending September 30, 2022 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>
2022	\$ 10,156	15,234
2023	8,622	12,933
2024	8,686	13,029
2025	8,716	13,074
2026	5,725	8,588
2027–2031	20,391	30,587
	<u>\$ 62,296</u>	<u>93,445</u>

(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.

The Organization contributed \$6,840 and \$5,658 for the years ended September 30, 2021 and 2020, 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 2020, 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.

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(19) Subsequent Events

Subsequent events have been evaluated through December 6, 2021, 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.

