



WORLD VISION, INC. AND AFFILIATES

Consolidated Financial Statements

September 30, 2022

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 2800
401 Union Street
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
World Vision, Inc.:

Opinion

We have audited the consolidated financial statements of World Vision, Inc. and affiliates (the Organization), which comprise the consolidated statement of financial position as of September 30, 2022, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of September 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's 2021 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated December 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

KPMG LLP

Seattle, Washington
December 12, 2022

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Financial Position

September 30, 2022

(With comparative totals for September 30, 2021)

(in thousands of dollars)

Assets	2022	2021
Current assets:		
Cash and cash equivalents	\$ 5,252	12,181
Grants, accounts and other receivables, net	23,797	28,067
Due from World Vision International	11,656	8,886
Investments (note 3)	236,692	181,913
Inventory, net (note 6)	41,368	29,629
Other assets	34,201	20,740
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Total current assets	352,966	281,416
Noncurrent assets:		
Investments (note 3)	15,810	20,115
Fixed assets, net (note 7)	36,530	39,171
Charitable trusts receivable (note 3)	9,642	8,872
Assets held in trust (note 3)	10,167	12,641
Prepaid pension asset (note 15)	4,430	8,213
Other assets	2,539	2,075
	<hr/>	<hr/>
Total noncurrent assets	79,118	91,087
Total assets	\$ <u>432,084</u>	<u>372,503</u>
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	\$ 26,271	27,731
Deferred revenue	29,921	17,288
	<hr/>	<hr/>
Total current liabilities	56,192	45,019
Noncurrent liabilities:		
Accrued expenses	715	1,002
Deferred revenue	1,096	1,214
Charitable gift annuities	5,704	5,714
Amounts held for others (note 9)	7,335	9,239
	<hr/>	<hr/>
Total noncurrent liabilities	14,850	17,169
Total liabilities	<hr/>	<hr/>
	71,042	62,188
Net assets (note 10):		
Without donor restrictions	126,183	122,263
With donor restrictions	234,859	188,052
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Total net assets	361,042	310,315
Total liabilities and net assets	\$ <u>432,084</u>	<u>372,503</u>

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES
Consolidated Statement of Activities
Year ended September 30, 2022
(With summarized comparative totals for September 30, 2021)
(in thousands of dollars)

	Without donor restrictions	With donor restrictions	Total 2022	Total 2021
Operating revenue:				
Contributions, primarily private cash	\$ 60,913	575,212	636,125	596,828
Public grants (note 11):				
Cash grants	329,154	—	329,154	287,700
Non-cash grants, primarily commodities	161,502	—	161,502	133,071
Total public grants	490,656	—	490,656	420,771
Gifts-in-kind (note 12)	207,260	70,159	277,419	286,412
Other (losses)/income, net	(916)	(1,623)	(2,539)	4,092
Net assets released from restriction:				
Due to expiration of time (split-interest agreements)	989	(989)	—	—
Due to satisfaction of program restrictions	595,952	(595,952)	—	—
Total operating revenue	1,354,854	46,807	1,401,661	1,308,103
Operating expenses (note 1):				
Program services (note 13):				
International programs	968,447	—	968,447	836,211
Domestic programs	216,640	—	216,640	254,165
Public awareness and education	2,601	—	2,601	2,469
Total program services	1,187,688	—	1,187,688	1,092,845
Supporting services:				
Management and general	48,110	—	48,110	51,808
Fundraising	95,505	—	95,505	75,445
Total supporting services	143,615	—	143,615	127,253
Total operating expenses	1,331,303	—	1,331,303	1,220,098
Change in net assets from operating activities	23,551	46,807	70,358	88,005
Non-operating activities:				
Investment and other (losses)/gains, net	(1,482)	—	(1,482)	1,022
Unrealized (loss)/gain on investments	(14,499)	—	(14,499)	215
Interest expense	(7)	—	(7)	(147)
Pension plan adjustments (note 15)	(3,643)	—	(3,643)	4,712
Change in net assets from non-operating activities	(19,631)	—	(19,631)	5,802
Change in net assets	3,920	46,807	50,727	93,807
Net assets, beginning of year	122,263	188,052	310,315	216,508
Net assets, end of year	\$ 126,183	234,859	361,042	310,315

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Functional Expenses

Year ended September 30, 2022

(With summarized comparative totals for September 30, 2021)

(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	2022	2021
Funding of World Vision International and U.S. domestic programs:									
Child sponsorship	\$ 237,035	—	—	237,035	—	—	—	237,035	242,489
Relief and rehabilitation, community development, and Christian impact and leadership projects	612,914	486	—	613,400	—	—	—	613,400	501,883
Gifts-in-kind	38,804	191,915	—	230,719	—	—	—	230,719	260,547
Gifts to other ministries	52,326	15,011	—	67,337	—	—	—	67,337	49,137
Salaries and benefits	18,555	4,513	2,068	25,136	28,590	53,900	82,490	107,626	103,062
Professional services	4,280	201	144	4,625	3,854	9,372	13,226	17,851	13,286
Media and advertising	524	16	143	683	3,011	9,281	12,292	12,975	10,928
Freight and postage	305	7	8	320	254	6,047	6,301	6,621	5,798
Printing	138	9	6	153	275	6,697	6,972	7,125	5,361
Travel	800	221	116	1,137	565	5,640	6,205	7,342	2,336
Occupancy	404	1,558	8	1,970	441	546	987	2,957	2,959
Supplies	1,532	1,306	77	2,915	424	1,541	1,965	4,880	6,469
Equipment, repairs, and maintenance	394	307	31	732	3,460	1,766	5,226	5,958	5,982
Depreciation and amortization	366	824	—	1,190	1,993	599	2,592	3,782	3,853
Other	70	266	—	336	5,243	116	5,359	5,695	6,008
Totals	\$ 968,447	216,640	2,601	1,187,688	48,110	95,505	143,615	1,331,303	1,220,098

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Consolidated Statement of Cash Flows

Year ended September 30, 2022

(With summarized comparative totals for September 30, 2021)

(in thousands of dollars)

	<u>2022</u>	<u>2021</u>
Cash provided by/(used for):		
Change in net assets	\$ 50,727	93,807
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	3,782	3,853
Net realized and unrealized loss/(gain) on investments	23,544	(5,244)
Loss on disposal of equipment	244	16
Non-cash contributions	(31,959)	(24,379)
Proceeds from the sale of donated investments	16,047	12,256
Contributions restricted for investment in endowment	(100)	(8)
(Gain)/loss on sale of donated real estate	(22)	104
Other changes in operating assets and liabilities:		
Grants, accounts and other receivables, net	5,612	51
Due from World Vision International	(2,770)	(108)
Other assets	(16,579)	8,663
Charitable trusts receivable	1,780	2,654
Prepaid pension asset	3,783	(4,573)
Accounts payable and accrued expenses	(1,747)	(9,930)
Deferred revenue	12,515	(8,924)
Net cash provided by operating activities	<u>64,857</u>	<u>68,238</u>
Cash provided by/(used for) investing activities:		
Purchase of investments	(357,996)	(187,470)
Proceeds from the sale of investments	287,463	131,930
Acquisition of fixed assets	(1,387)	(1,074)
Proceeds from sale of fixed assets	2	—
Proceeds from the sale of donated real estate held as investment	703	1,721
Principal collected on notes receivable	484	2
Net cash used for investing activities	<u>(70,731)</u>	<u>(54,891)</u>
Cash provided by/(used for) financing activities:		
Proceeds from contributions restricted for investment in endowment	100	8
Contributions subject to asset held in trust and charitable annuity trust agreements	431	1,046
Payments of asset held in trust and charitable annuity trust agreements	(1,586)	(1,768)
Principal payments on notes payable	—	(7,638)
Net cash used for financing activities	<u>(1,055)</u>	<u>(8,352)</u>
Net change in cash and cash equivalents	(6,929)	4,995
Cash and cash equivalents, beginning of year	<u>12,181</u>	<u>7,186</u>
Cash and cash equivalents, end of year	\$ <u>5,252</u>	<u>12,181</u>
Cash paid during the year for interest	\$ 7	147

See accompanying notes to consolidated financial statements.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2022

(With comparative information for 2021)

(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 change 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, 2022 and 2021:

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 and floods. 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 families living in poverty 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, 2022

(With comparative information for 2021)

(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, 2022 and 2021.

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 statement of cash flows.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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(With comparative information for 2021)

(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, 2022 and 2021. 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), other public grantors, and public funds advanced to subgrant partners. Grants receivable 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, 2022 and 2021, the Organization had outstanding \$105,057 and \$105,314 related to private grants in conditional promises to give, respectively. The Organization also had outstanding \$756,500 and \$776,062 in conditional promises to give related to awarded public grants as of September 30, 2022 and 2021, 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

September 30, 2022

(With comparative information for 2021)

(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 financial obligations while also achieving modest income generation and capital appreciation to provide additional return for the benefit of the children and communities the Organization serves. 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 statement of activities.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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(With comparative information for 2021)

(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, 2022 and 2021.

(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 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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September 30, 2022

(With comparative information for 2021)

(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, which 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 that 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

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2022

(With comparative information for 2021)

(In thousands of dollars)

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.

(g) Other Income and Losses

Other income and losses consist 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 14 to the program and supporting services that received the benefit.

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

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(u) Non-Operating Activities

Non-operating activities consist primarily of pension actuarial gains or losses, 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, 2022 and 2021.

(w) Newly Adopted Accounting Pronouncements

The Organization adopted Accounting Standards Update (ASU) 2018-15, *Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract* for its fiscal year ended September 30, 2022. This guidance aligns the requirements for capitalizing implementation costs in a cloud computing service contract with the guidance for capitalizing implementation costs to develop or obtain internal-use software. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. The Organization adopted this update on a prospective basis as allowed by the standard, and the adoption of this accounting standard update did not have a material impact on the consolidated financial statements.

The Organization adopted ASU 2018-14, *Compensation – Retirement Benefits – Defined Benefit Plans – General (Subtopic 715-20): Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans* for its fiscal year ended September 30, 2022. This guidance amends ASC 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. 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 2021 consolidated financial statements to conform to the presentation of the 2022 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2022</u>
Current investments:				
Cash equivalents	\$ 113,658	—	—	113,658
Mutual funds:				
Fixed income	83,436	—	—	83,436
Equities	17,689	—	—	17,689
Equity securities	21,909	—	—	21,909
Total current investments	<u>236,692</u>	<u>—</u>	<u>—</u>	<u>236,692</u>
Noncurrent investments:				
Cash equivalents	507	—	—	507
Mutual funds:				
Fixed income	4,540	—	—	4,540
Equities	7,668	—	—	7,668
Equity securities	3,095	—	—	3,095
Total noncurrent investments	<u>15,810</u>	<u>—</u>	<u>—</u>	<u>15,810</u>
Total investments	<u>\$ 252,502</u>	<u>—</u>	<u>—</u>	<u>252,502</u>
Charitable trusts receivable	\$ —	—	9,642	9,642
Assets held in trust:				
Cash equivalents	\$ 584	—	—	584
Mutual funds:				
Fixed income	2,538	—	—	2,538
Equities	7,045	—	—	7,045
Total assets held in trust	<u>\$ 10,167</u>	<u>—</u>	<u>—</u>	<u>10,167</u>

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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	23,534	—	—	23,534
Equities	11,392	—	—	11,392
Equity securities	5,390	—	—	5,390
Total current investments	<u>181,913</u>	<u>—</u>	<u>—</u>	<u>181,913</u>
Noncurrent investments:				
Cash equivalents	423	—	—	423
Mutual funds:				
Fixed income	4,862	—	—	4,862
Equities	10,947	—	—	10,947
Fixed income	332	—	—	332
Equity securities	3,551	—	—	3,551
Total noncurrent investments	<u>20,115</u>	<u>—</u>	<u>—</u>	<u>20,115</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>

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. There were no Level 2 investments held by the Organization at September 30, 2022 and 2021.

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

WORLD VISION, INC. AND AFFILIATES

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charitable trusts receivable which are held as Level 3 investments of \$2,550 and \$1,402 as of September 30, 2022 and 2021, respectively. There were no transfers between Level 1 and Level 2 during the year ended September 30, 2022 and 2021.

(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 operating working capital to ensure a minimum level of thirty-five days of cash revenue. Liquidity at September 30 is as follows:

	<u>2022</u>	<u>2021</u>
Current financial assets at September 30:		
Cash and cash equivalents	\$ 5,252	12,181
Grants, accounts and other receivables, net	23,797	28,067
Due from World Vision International	11,656	8,886
Investments	<u>236,692</u>	<u>181,913</u>
Total current financial assets	277,397	231,047
Other resources available:		
Line of credit	<u>—</u>	<u>5,000</u>
Total financial assets and other resources available for general expenditures within one year	<u>\$ 277,397</u>	<u>236,047</u>

During the years ended September 30, 2022 and 2021, the Organization held \$14,885 and \$19,959 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).

The Organization had a \$5,000 line of credit commitment with a bank that expired March 1, 2022. During 2022 and 2021, there were no borrowings.

(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

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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 years ended September 30, 2022 and 2021, 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:

	2022			2021		
	Without donor restriction	With donor restriction	Total	Without donor restriction	With donor restriction	Total
Endowment net assets, beginning of year	\$ 673	8,846	9,519	413	7,902	8,315
Contributions/transfers	26	74	100	197	(189)	8
Investment return, net of fees	(102)	(1,217)	(1,319)	63	1,176	1,239
Appropriated for expenditure	—	(47)	(47)	—	(43)	(43)
Endowment net assets, end of year	\$ 597	7,656	8,253	673	8,846	9,519

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 \$2,301 and \$935 as of September 30, 2022 and 2021, respectively. These funds had an original gift value of \$10,554 and \$10,454 as of September 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
GIK inventory, net	\$ 40,361	29,552
Food received for monetization or distribution	1,007	77
	<u>\$ 41,368</u>	<u>29,629</u>

(7) Fixed Assets, Net

Fixed assets comprised the following at September 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 6,792	6,792
Buildings and leasehold improvements	54,562	54,894
Equipment	11,460	12,304
Internally developed computer software	9,439	10,920
	82,253	84,910
Less accumulated depreciation and amortization	<u>(45,723)</u>	<u>(45,739)</u>
	<u>\$ 36,530</u>	<u>39,171</u>

Depreciation and amortization expense for the years ended September 30, 2022 and 2021 was \$3,782 and \$3,853, respectively.

(8) Obligations under Operating Leases

The Organization has commitments related to operating leases for buildings, facilities, and equipment at September 30, 2022 and 2021. All operating leases are noncancelable and expire on various dates through 2028 and thereafter.

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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, 2022 are as follows:

	Operating leases
Year ending September 30:	
2023	\$ 1,128
2024	1,460
2025	1,369
2026	1,282
2027	1,337
2028 and thereafter	<u>1,915</u>
	<u>\$ 8,491</u>

Lease and rent expenses for the years ended September 30, 2022 and 2021 were \$1,552 and \$1,535, respectively.

(9) Amounts Held for Others

The Organization has entered into a variety of trusts for which the Organization is the trustee. Amounts held for others represents the exchange portion of irrevocable split-interest agreements (usually, an agreement to pay an annuity to the donor) and refundable advances of revocable agreements (usually, the fair value of assets held in trust). The estimated present value of future payments was determined on the basis of published actuarial factors for ages of the respective beneficiaries discounted using a rate commensurate with the risks involved, which range between 7.0% and 1.6%. The amounts held belong to various investment funds held in trust by the Organization and totaled \$7,335 and \$9,239 for the years ended September 30, 2022 and 2021, respectively.

(10) Net Assets

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

	2022	2021
Undesignated	\$ 91,342	77,662
Board-designated endowment	597	673
Donor advised funds and designated funds	14,714	20,118
Undistributed GIK contributions	13,986	11,745
Charitable gift annuities	1,114	3,852
Over funded status of pension plan	<u>4,430</u>	<u>8,213</u>
	<u>\$ 126,183</u>	<u>122,263</u>

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

	<u>2022</u>	<u>2021</u>
Purpose restricted:		
Child sponsorship and childcare ministries	\$ 105,615	84,257
Relief and rehabilitation, community development, and Christian impact and leadership projects	82,154	64,607
Undistributed GIK contributions	26,375	17,808
Domestic programs	1,003	540
Designated funds	171	427
Total purpose restricted	<u>215,318</u>	<u>167,639</u>
Time restricted:		
Split-interest agreements, the income from which is unrestricted upon expiration of certain time restrictions	10,039	9,366
Endowments	7,656	8,846
Perpetual trusts	1,846	2,201
Total time restricted	<u>19,541</u>	<u>20,413</u>
	<u>\$ 234,859</u>	<u>188,052</u>

(11) 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 Bureau for Humanitarian Assistance, USDA's Foreign Agricultural Service, 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>2022</u>	<u>2021</u>
Cash grants:		
Cash awards from USAID	\$ 202,899	177,430
Cash awards from Global Fund	72,537	65,543
Cash awards from World Food Program	12,385	11,478
Cash awards from other agencies	34,269	26,865
Cash freight awards from USAID	6,716	5,751
Cash freight awards from other agencies	348	633
	<hr/>	<hr/>
Total cash grants	329,154	287,700
Non-cash grants:		
Monetization grants from USAID	3,585	2,921
Food commodities from USAID	45,107	39,487
Food commodities from World Food Program	111,566	87,435
Food commodities from other agencies	976	1,593
Non-food commodities from USAID	—	1,635
Non-food commodities from other agencies	268	—
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Total non-cash grants	161,502	133,071
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	\$ 490,656	420,771
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(12) Gifts-in-Kind Revenue and Expense

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

	2022				2021			
	With donor restriction international	With donor restriction domestic	Without donor restriction	Total	With donor restriction international	With donor restriction domestic	Without donor restriction	Total
Household goods	\$ 6,551	5,737	171,775	184,063	4,827	6,445	149,173	160,445
Clothing	20,945	6,457	6,525	33,927	7,207	1,656	7,429	16,292
Medical supplies	291	6,116	18,571	24,978	531	39	8,580	9,150
Building supplies	—	7,112	5,745	12,857	175	4,419	7,680	12,274
Pharmaceuticals	8,244	—	—	8,244	967	—	—	967
School and office supplies	1,078	3,528	1,045	5,651	9	645	1,025	1,679
Toys	776	1,353	2,103	4,232	645	3,972	2,432	7,049
Food	384	121	896	1,401	1,185	68,980	1,502	71,667
Other	492	301	511	1,304	78	49	1,426	1,553
Books	231	442	89	762	249	3,607	1,480	5,336
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Gifts-in-kind	\$ 38,992	31,167	207,260	277,419	15,873	89,812	180,727	286,412
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Food includes \$68,870 received as part of the USDA Farmers to Families Food Box program valued using USDA listed values for the year ended September 30, 2021. 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:

	2022	2021
Domestic programs	\$ 191,915	228,958
Partner agencies	35,411	29,520
World Vision International	38,804	31,589
	\$ 266,130	290,067

(13) Program Services

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

	2022			2021		
	International programs	Domestic programs	Public awareness and education	International programs	Domestic programs	Public awareness and education
Cash	\$ 739,894	17,561	2,601	648,655	18,583	2,469
Gifts-in-kind	67,051	199,079	—	54,485	235,582	—
Non-cash grants	161,502	—	—	133,071	—	—
Total program services	\$ 968,447	216,640	2,601	836,211	254,165	2,469

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(14) Joint Cost Allocation

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

	<u>2022</u>	<u>2021</u>
Fundraising	\$ 153	500
Management and general	285	306
International programs	279	269
Public awareness and education	11	46
	<u>\$ 728</u>	<u>1,121</u>

(15) 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>2022</u>	<u>2021</u>
Discount rate	5.05 %	2.25 %
Expected return on plan assets	5.00	4.00
Assumed interest crediting rate to participants	1.94	1.42

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

	<u>2022</u>	<u>2021</u>
Discount rate	2.25 %	1.90/2.50/2.20%
Expected return on plan assets	4.00	5.00/4.00
Assumed interest crediting rate to participants	1.94	1.42

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:

	<u>2022</u>		<u>2021</u>	
	<u>World Vision, Inc.</u>	<u>Total plan</u>	<u>World Vision, Inc.</u>	<u>Total plan</u>
Projected benefit obligations at beginning of year	\$ 87,711	121,050	95,533	132,574
Change in projected benefit obligations:				
Service cost	139	200	139	200
Interest cost	1,779	2,553	1,782	2,557
Changes in assumptions	(18,834)	(20,577)	(3,656)	(4,964)
Actuarial loss	1,818	2,606	1,234	1,703
Benefits paid	(1,999)	(3,802)	(2,391)	(3,604)
Settlements	(1,463)	(2,789)	(4,785)	(7,216)
Expected expenses paid	(139)	(200)	(145)	(200)
Projected benefit obligations at end of year	<u>69,012</u>	<u>99,041</u>	<u>87,711</u>	<u>121,050</u>
Accumulated benefit obligations at end of year	<u>69,012</u>	<u>99,041</u>	<u>87,711</u>	<u>121,050</u>

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	2022		2021	
	World Vision, Inc.	Total plan	World Vision, Inc.	Total plan
Plan assets at fair value at beginning of year	\$ 95,924	132,384	99,173	137,625
Change in plan assets:				
Actual return on plan assets	(18,910)	(20,236)	4,073	5,781
Benefits paid	(1,999)	(3,801)	(2,391)	(3,604)
Settlements	(1,463)	(2,789)	(4,785)	(7,216)
Actual expenses paid	(110)	(158)	(146)	(202)
Plan assets at fair value at end of year	73,442	105,400	95,924	132,384
Funded status	\$ 4,430	6,359	8,213	11,334
Asset recognized in the consolidated statement of financial position as prepaid pension	\$ 4,430	—	8,213	—
Pension plan loss/(gain) recognized in non-operating activities	3,643	—	(4,712)	—

For the year ended September 30, 2022, the benefit obligation declined primarily due to the increase in the discount rate. For the year ended September 30, 2021, the benefit obligation declined primarily due to settlements.

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

	2022		2021	
	World Vision, Inc.	Total plan	World Vision, Inc.	Total plan
Service cost	\$ 139	200	139	200
Interest cost	1,779	2,553	1,782	2,557
Expected return on plan assets	(3,474)	(4,986)	(4,023)	(5,774)
Amortization of net loss	—	—	49	71
Net periodic benefit credit	(1,556)	(2,233)	(2,053)	(2,946)
Settlement cost	348	500	430	617
Total	\$ (1,208)	(1,733)	(1,623)	(2,329)

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(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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>2022</u>
Cash equivalents	\$ 533	3	—	536
Equity securities	4,997	—	—	4,997
Commingled funds:				
Equities	2,269	—	—	2,269
Other fixed income	97,598	—	—	97,598
Total plan assets measured at fair value	\$ <u>105,397</u>	<u>3</u>	<u>—</u>	<u>105,400</u>

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	121,795	—	—	121,795
Total plan assets measured at fair value	\$ <u>132,380</u>	<u>4</u>	<u>—</u>	<u>132,384</u>

WORLD VISION, INC. AND AFFILIATES

Notes to Consolidated Financial Statements

September 30, 2022

(With comparative information for 2021)

(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, 2023 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>
2023	\$ 11,949	17,923
2024	7,697	11,545
2025	7,873	11,809
2026	7,733	11,600
2027	5,553	8,329
2028–2032	<u>20,278</u>	<u>30,417</u>
	<u>\$ 61,083</u>	<u>91,623</u>

(16) Defined Contribution Retirement Plan

The Organization also provides eligible employees a defined contribution plan, which is a qualified plan under Section 403(b) of the Internal Revenue Code. 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 \$7,078 and \$6,840 for the years ended September 30, 2022 and 2021, respectively.

(17) Contingencies

Claims arise for the Organization in the normal course of business. Management does not expect the ultimate resolution of these actions to have a material adverse effect on the financial position of the Organization.

Grant funding from government agencies is subject to additional audit requirements under Office of Management and Budget (OMB) 2 CFR Part 200 and review by the grantor. Based on historical experience and results of prior 2 CFR Part 200 audits, which have been completed through fiscal year 2021, 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.

WORLD VISION, INC. AND AFFILIATES
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(In thousands of dollars)

(18) Subsequent Events

Subsequent events have been evaluated through December 12, 2022, 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. Motivated by our faith in Jesus Christ, we serve alongside the poor and oppressed as a demonstration of God's unconditional love for all people. World Vision serves all people, regardless of religion, race, ethnicity, or gender.

