WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Financial Statements

September 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Directors
World Vision International:

We have audited the accompanying consolidated statements of financial position of World Vision International and consolidated affiliates (the Organization) as of September 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Vision International and consolidated affiliates as of September 30, 2012 and 2011, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

KPMG LLP

March 27, 2013

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Financial Position

September 30, 2012 and 2011

(Amounts in thousands)

Assets		**2012**	**2011**
Cash and cash equivalents	$	366,561	378,114
Investments (note 4)		110,229	102,229
Due from unconsolidated affiliates (note 5)		90,804	99,922
Accounts receivable		26,340	24,678
Microfinance loans receivable, net (note 6)		404,991	346,010
Inventories		116,973	191,353
Prepaid expenses		29,968	25,451
Land, buildings and equipment, net (note 7)		70,092	49,256
Foreign exchange contracts (note 8)		—	10,630
Other assets		13,523	15,051
Total assets	$	1,229,481	1,242,694
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	75,624	73,243
Accrued expenses		85,441	77,624
Due to unconsolidated affiliates (note 5)		17,204	27,930
Notes payable (note 9)		258,650	220,899
Foreign exchange contracts (note 8)		9,650	—
Other liabilities		35,767	30,773
Total liabilities		482,336	430,469
Net assets (note 10):			
Unrestricted:			
Noncontrolling financial interest in subsidiaries		4,998	—
Other unrestricted		222,181	225,909
Temporarily restricted		519,966	586,316
Total net assets		747,145	812,225
Total liabilities and net assets	$	1,229,481	1,242,694

See accompanying notes to consolidated financial statements.

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Activities

Year ended September 30, 2012

(Amounts in thousands)

		Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support from donors (note 12):				
Contributions	$	145,437	1,408,246	1,553,683
Gifts-in-kind		—	351,267	351,267
Net assets released from restrictions		1,825,863	(1,825,863)	—
Total revenues from donors		1,971,300	(66,350)	1,904,950
Other revenue and gains		171,711	—	171,711
Change in cumulative unrealized gain (loss) on foreign exchange contracts		(20,280)	—	(20,280)
Total revenues, gains, and other support		2,122,731	(66,350)	2,056,381
Expenses:				
Program services:				
International relief and community development		1,801,783	—	1,801,783
Microenterprise development		137,301	—	137,301
Program support services		99,733	—	99,733
Total program services		2,038,817	—	2,038,817
Administrative costs:				
Supporting services		61,284	—	61,284
Fund-raising		27,751	—	27,751
Total administrative costs		89,035	—	89,035
Total expenses		2,127,852	—	2,127,852
Change in net assets before the pension actuarial gain (loss) and noncontrolling financial interest in subsidiaries		(5,121)	(66,350)	(71,471)
Pension actuarial gain (loss) (note 13)		1,393	—	1,393
Noncontrolling financial interest in subsidiaries		4,998	—	4,998
Change in net assets		1,270	(66,350)	(65,080)
Net assets at beginning of year		225,909	586,316	812,225
Net assets at end of year	$	227,179	519,966	747,145

See accompanying notes to consolidated financial statements.

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Activities

Year ended September 30, 2011

(Amounts in thousands)

	Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support from donors (note 12):			
Contributions	$ 134,801	1,379,169	1,513,970
Gifts-in-kind	—	396,086	396,086
Net assets released from restrictions	1,725,803	(1,725,803)	—
Total revenues from donors	1,860,604	49,452	1,910,056
Other revenue and gains	147,367	—	147,367
Change in cumulative unrealized gain (loss) on foreign exchange contracts	32,563	—	32,563
Total revenues, gains, and other support	2,040,534	49,452	2,089,986
Expenses:			
Program services:			
International relief and community development	1,675,044	—	1,675,044
Microenterprise development	106,582	—	106,582
Program support services	98,009	—	98,009
Total program services	1,879,635	—	1,879,635
Administrative costs:			
Supporting services	54,026	—	54,026
Fund-raising	22,022	—	22,022
Total administrative costs	76,048	—	76,048
Total expenses	1,955,683	—	1,955,683
Change in net assets before the pension actuarial gain (loss) and noncontrolling financial interest in subsidiaries	84,851	49,452	134,303
Pension actuarial gain (loss) (note 13)	(2,526)	—	(2,526)
Noncontrolling financial interest in subsidiaries	—	—	—
Change in net assets	82,325	49,452	131,777
Net assets at beginning of year	143,584	536,864	680,448
Net assets at end of year	$ 225,909	586,316	812,225

See accompanying notes to consolidated financial statements.

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2012 and 2011

(Amounts in thousands)

		2012	2011
Cash flows from operating activities:			
Change in net assets	$	(65,080)	131,777
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Gifts-in-kind, net		74,380	(55,400)
Unrealized and realized (gain) loss on investments		(1,180)	33
Change in cumulative unrealized (gain) loss on foreign exchange contracts		20,280	(32,563)
Depreciation		8,055	6,565
Provision for loan losses		6,634	11,963
Loss on disposal of equipment		126	349
Proceeds from sale of noncontrolling interest in subsidiary		(4,422)	—
Changes in assets and liabilities:			
Accounts receivable		(1,662)	(6,819)
Due from/to unconsolidated affiliates		(1,608)	(10,667)
Prepaid expenses		(4,517)	(8,620)
Other assets		1,528	(1,563)
Accounts payable and accrued expenses		10,198	18,093
Other liabilities		4,994	5,490
Net cash provided by operating activities		47,726	58,638
Cash flows from investing activities:			
Purchases of investments		(158,466)	(143,914)
Proceeds from sales and maturities of investments		151,646	128,532
Proceeds from repayment of microfinance loans		567,822	441,991
Issuance of microfinance loans		(633,437)	(484,869)
Purchase of land, buildings, and equipment		(29,229)	(12,391)
Proceeds from sale of equipment		212	157
Net cash used in investing activities		(101,452)	(70,494)
Cash flows from financing activities:			
Payments on notes payable		(103,181)	(102,626)
Proceeds received on notes payable		140,932	106,306
Proceeds from sale of noncontrolling interest in subsidiary		4,422	—
Net cash provided by financing activities		42,173	3,680
Net change in cash and cash equivalents		(11,553)	(8,176)
Cash and cash equivalents, beginning of year		378,114	386,290
Cash and cash equivalents, end of year	$	366,561	378,114
Supplemental cash flow disclosures:			
Cash paid during the year for interest	$	20,718	18,565
Cash paid during the year for taxes		2,257	2,012

See accompanying notes to consolidated financial statements.

(1) Organization

World Vision International (WVI) and its consolidated affiliates (collectively, the Organization) is a network of international not-for-profit organizations whose mission is to follow our Lord and Savior Jesus Christ in working with the poor and oppressed to promote human transformation, seek justice, and bear witness to the good news of the Kingdom of God. It pursues this mission through integrated, holistic commitment to:

Transformational Development – that is community-based and sustainable, focused especially on the needs of children.

Emergency Relief – that assists people afflicted by conflict or disaster.

Promotion of Justice – that seeks to change unjust structures affecting the poor.

Partnerships with Churches – to contribute to spiritual and social transformation.

Public Awareness – that leads to informed understanding, giving, involvement, and prayer.

Witness to Jesus Christ – by life, deed, word, and sign that encourages people to respond to the Gospel.

WVI follows the vision statement below:

"Our vision for every child, life in all its fullness;

Our prayer for every heart, the will to make it so."

WVI is the lead organization in a network of worldwide affiliated organizations which use the World Vision trademark and which are referred to as "the Partnership." (The word Partnership is used in a broad, informal sense, rather than in a technical legal sense).

Offices in this Partnership can be viewed in two ways, by function and type. Function refers to the roles the offices play in the operation of the Partnership. Type describes an entity's legal and accounting relationship within the Partnership.

Major functions in the Partnership include:

WVI – Provides the formal international structure for the Partnership. WVI establishes global governance and standards, and consolidates donations, the majority of which are received from Support Offices. WVI uses donations received for relief aid and community development work in Ministry Offices. WVI is also the operating entity in many Ministry Office countries, and some Support Office countries.

Ministry Offices – Primarily carry out the relief aid and community development work in their respective countries. Some Ministry Offices also raise local funds for relief aid and community development.

Regional and International Offices – Carry out the regional and global functions of WVI.

Support Offices – Primary function is to raise funds to support WVI's programs outside of their home country. Some also have relief or development programs within their own country.

VisionFund International (VFI) – VFI is a not-for-profit corporation that was established for the purpose of developing and administering the Partnership's microfinance network. The activities of VFI involve ownership of certain microfinance institutions (MFIs), and lending of funds and providing oversight to MFIs not owned by VFI.

Microfinance Institutions (MFIs) – The MFIs' primary purpose is making small loans to individuals who lack access to normal banking facilities. These loans are used to set up small businesses from which individuals can earn a living for themselves and their families.

There are four types of entities in the Partnership:

WVI – the legal entity of WVI (i.e., including its branch offices around the world, all consolidated into these financial statements):

Ministry Offices

Afghanistan
Angola
Armenia
Azerbaijan
Bangladesh
Bosnia-Herzegovina
Burundi
Cambodia
Chad
Chile
China
Colombia
Congo – Democratic Republic of
Cyprus
Dominican Republic
East Timor
Ethiopia
Georgia
Haiti
Jordan
Kosovo
Laos
Lebanon
Lesotho
Mali
Mauritania
Mongolia
Mozambique
Myanmar
Nepal
Nicaragua
Niger
North Korea
Pakistan
Russia – Moscow
Rwanda
Senegal
Sierra Leone
Somalia
South Sudan
Sudan (Northern Sudan)
Uzbekistan
Vietnam
Zimbabwe

Regional Offices

East Africa
East Asia
Latin America
Middle East & East Europe
South Asia & Pacific
Southern Africa
West Africa

International Offices

Dubai
Gibraltar
Johannesburg
Kuala Lumpur
London
Los Angeles
Manila
New York
Seattle
Washington DC

Support Offices

Singapore

Microfinance Programs

Name	**Country**
World Vision Myanmar Micro Enterprise Development Program	Myanmar
Daraja	Niger
Senegal Micro Finance	Senegal
World Vision Vietnam Micro Enterprise Development Program	Vietnam

Subsidiaries of WVI – separate legal entities which WVI owns or controls, or which are owned or controlled by an entity, which is consolidated into these financial statements. These entities are consolidated with WVI as required by U.S. Generally Accepted Accounting Principles (GAAP):

Ministry Offices

Albania
Bolivia
Costa Rica
Ecuador
Ghana
Jerusalem West Bank Gaza
Malawi
Pacific Development Group

International Offices

Geneva

Support Offices

Spain

VisionFund International (VFI)

Microfinance Institutions (consolidated by VFI)

Name	**Country**
VisionFund Albania LLC	Albania
SEF International Universal Credit Organization LLC	Armenia
VisionFund Azercredit LLC	Azerbaijan
VisionFund Cambodia	Cambodia
VisionFund Credo Foundation	Georgia
VisionFund Caucasus LLC	Georgia
Microfinance Organization Credo LLC	Georgia
VisionFund Mexico	Mexico
VisionFund AgroInvest LLC	Montenegro
AgroInvest VFI LLC	Montenegro
AgroInvest Foundation Montenegro	Montenegro
VisionFund Netherlands I B.V.	Netherlands
VisionFund Netherlands II B.V.	Netherlands
EDPYME Credivision	Peru
AgroInvest Fond LLC	Serbia
AgroInvest Foundation Serbia	Serbia
VisionFund Zambia LLC	Zambia

(Continued)

Microfinance Institutions (not consolidated by VFI)

Name	**Country**
Fundación Boliviana para el Desarrollo	Bolivia
Micro Credit Organization ‘EKI’ Sarajevo	Bosnia
Agencia Nacional de Desenvolvimento Microempresarial	Brazil
Kazoza Vision Finance	Burundi
Fundación Producir	Colombia
Fondo de Inversiones para el Desarrollo de la Microempresa	Dominican Republic
Fundación Fondo de Desarrollo Microempresarial	Ecuador
Fundación Salvadoreña para El Desarrollo	El Salvador
Wisdom Micro Financing Institution (S.C.)	Ethiopia
Association of Productive Entrepreneurship Development	Ghana
Asociación Gutemalteca para del Desarrollo	Guatemala
Fundación para el Desarrollo de Honduras	Honduras
Innovative Microfinance for Poverty Alleviation and Community Transformation	India
Mitra Masyarakat Sejahtera Foundation	Indonesia
PT. VisionFund Indonesia	Indonesia
Kenya Agency for Development of Enterprises and Technology	Kenya
KosInvest	Kosovo
Finance Trust for the Self Employed	Malawi
Reseau de Micro Institutions de Croissance de Revenu	Mali
Fundación Realidad, A.C.	Mexico
Vision Fund Mongolia LLC	Mongolia
AgroInvest NVO Podgorica	Montenegro
Foundation 4i 2000	Nicaragua
Entidad de Desarrollo de la Pequeña y Micro Empresa Credivison	Peru
Community Economic Ventures, Inc.	Philippines
Vision Finance Company S.A.	Rwanda
World Vision International Serbia I Crane Gora Beograd	Serbia
VisionFund Lanka (Gte.) Ltd.	Sri Lanka
Small Enterprise Development Agency	Tanzania
World Vision Foundation of Thailand	Thailand
Micro Enterprises Development Network Limited	Uganda
Harmos Micro Enterprise Development Ltd.	Zambia
Pundutso Micro Finance (Private) Ltd.	Zimbabwe

(Continued)

Affiliates WVI elects to consolidate – separate affiliated entities which are not for legal or accounting purposes owned or controlled by WVI. WVI has elected to include these affiliated entities as a permissive discretionary consolidation allowed under U.S. GAAP where WVI has a level of control and economic interest in these entities and consolidation is considered meaningful to WVI's financial statements:

Ministry Offices

Brazil
El Salvador
Guatemala
Honduras
India
Indonesia
Kenya
Mexico
Peru
Philippines
Romania
South Africa
Sri Lanka
Swaziland
Tanzania
Thailand
Uganda
Zambia

Affiliates which are not consolidated – members of the Partnership which are not owned or controlled by WVI and are not consolidated:

Support Offices

Australia
Austria
Brussels & European Union Representation
Canada
Finland
France
Germany
Hong Kong
Ireland
Italy
Japan
Korea
Malaysia
Netherlands
New Zealand
Switzerland
Taiwan
United Kingdom
United States

(2) Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting in accordance with U.S. GAAP.

(b) Consolidation

All intercompany accounts and transactions among the consolidated entities have been eliminated in the accompanying consolidated financial statements.

(c) Financial Instruments

Financial instruments include cash and cash equivalents, accounts and microfinance loans receivable, accounts due from/to unconsolidated affiliates, accounts payable, accrued expenses, and notes payable, and are stated at carrying cost at year-end, which approximates fair value. Other financial instruments held at year-end are investments and forward exchange contracts, which are stated at fair value.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposit accounts, certificates of deposit, and money market accounts with original maturities of 90 days or less at the date of acquisition.

(e) Investments

Investments are recorded at fair value and consist of time deposits with financial institutions as well as debt and equity securities. Current investment policy is to purchase investments with a credit rating of A+ or better. Gains and losses on investments are recorded to other revenue and gains in the consolidated statement of activities.

(f) Accounts and Microfinance Loans Receivable

Accounts and microfinance loans receivable are carried at the outstanding receivable amount, less an estimate made for uncollectible receivables. Management determines the allowance for uncollectible accounts and microfinance loans receivable by identifying troubled accounts, considering the debtor's financial condition, current economic conditions, and using historical experience applied to an aging of the accounts and microfinance loans receivable. Recoveries of receivables previously written off are recorded when received.

Microfinance loans receivable primarily consist of amounts loaned to the entrepreneurial poor who lack access to normal banking facilities. Microfinance loans receivable represent the unpaid principal balance of loans, less an allowance for uncollectible loans. Interest is accrued based on the rate stated in the note and accrued on microfinance loans receivable unless the receivables are deemed uncollectible. Management determines the allowance for doubtful accounts by identifying troubled accounts, considering the debtor's financial condition and current economic conditions. If a loan becomes over 180 days past due, and is deemed uncollectible, it is written off. The ultimate recovery of all loans is susceptible to future market factors beyond the Organization's control. These factors may result in losses or recoveries differing significantly from those provided for in the consolidated financial statements.

(g) Inventories

The Organization's inventories consist of emergency relief supplies for disaster response, donated goods (i.e., clothing, books, pharmaceuticals, etc.), food commodities held for monetization and distribution, and other materials for humanitarian programs. Inventories are stated at the lower of cost or net realizable value for purchased inventory and at estimated fair value at the date of contribution for contributed inventory. Cost is principally determined by an average-cost method applied to a physical inventory.

(h) Land, Buildings and Equipment, Net

Land, buildings and equipment are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets. Buildings and improvements are depreciated over 3 to 25 years, furniture and equipment 3 to 10 years, computer software 2 to 10 years and vehicles 5 years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are expensed as incurred. When assets are disposed of or sold, the related costs and accumulated depreciation are removed from the accounts and any gain or loss upon disposition is included in the consolidated statements of activities.

Land, buildings and equipment are reviewed for impairment 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 the carrying value.

(i) 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 accrued based upon the Organization's estimate of the aggregate liability for claims incurred. Actual results could differ from those estimates.

(j) Contribution Revenue Recognition

WVI receives unconditional promises to give funds from unconsolidated national support entities. Unconditional promises to give are recorded as revenue in the year the promises are made. All unconditional promises to give that were not yet fulfilled as of September 30, 2012 and 2011 are recorded in due from unconsolidated affiliates and detailed in note 5. WVI also receives cash donations from affiliated entities and unaffiliated donors. Revenue is recognized on these donations at the time of the donation.

(k) Gifts-in-Kind

Gifts-in-kind are included in revenue at estimated fair value on the date the donation was received. Donations consist primarily of clothing, pharmaceuticals, commodities, and agricultural seeds. These goods are recorded in accordance with U.S. GAAP and industry standards. Gifts-in-kind expense is recorded when the goods are distributed to program beneficiaries.

(l) Other Revenue and Gains

Other revenue and gains consists primarily of interest on microfinance loans and investment income.

(m) Functional Allocation of Expenses

The costs of providing certain activities of the Organization have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated proportionately among program and administrative costs primarily based upon direct costs.

(n) Administrative Costs

Administrative costs are categorized into supporting services and fund-raising activities. Supporting services are activities that are not identifiable with a single program or fund-raising activity but that are indispensable to the conduct of those activities and to the Organization's existence. They include oversight, business management, general record-keeping, budgeting, financing, and all general management and administration activities. Fund-raising activities are those activities that encourage potential donors to contribute money, securities, services, materials, facilities, and other assets or time.

(o) Foreign Currency Translation Adjustments

The assets and liabilities of non-U.S. WVI branch offices and consolidated affiliates, whose functional currencies are the respective country's local currency, are translated into U.S. dollars at year-end exchange rates and revenue and expenses are translated at weighted average rates during the year. The resulting translation adjustment is included in program services expense in the consolidated statements of activities.

(p) 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 and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(3) Other Disclosures

(a) Concentration of Credit Risk

The Organization maintains certain cash accounts at various financial institutions in the United States and foreign countries. The total deposits at institutions in the United States at times exceed the amount covered by bank deposit insurance. Many of the deposits held at institutions outside of the United States are not covered by local depository insurance. In the event of nonperformance by the other parties to investment transactions, the Organization is exposed to loss for the amount of cash in excess of the insurance coverage. To date, the Organization has not sustained a loss due to nonperformance of a financial institution.

(Continued)

(b) Net Assets

Net assets of the Organization are reported within the following categories:

Unrestricted net assets – Unrestricted net assets represent those resources of the Organization that are not subject to donor-imposed restrictions or law. The only limits on unrestricted net assets are broad limits resulting from the nature of the Organization and the purposes specified in its articles of incorporation or bylaws, and limitations resulting from contractual agreements, if any.

Temporarily restricted net assets – Temporarily restricted net assets represent contributions and other inflows of assets that are subject to donor-imposed restrictions or law, which can be fulfilled by actions of the Organization pursuant to those stipulations or by the passage of time.

Expenses are reported as decreases in unrestricted net assets. Expiration of donor-imposed restrictions that simultaneously increase one class of net assets and decrease another is reported as reclassifications between the applicable classes of net assets. Temporarily restricted contributions are recorded as restricted revenue when received and when the restriction expires, the net assets are shown as released from restriction on the consolidated statements of activities.

(c) Tax Status

WVI is a not-for-profit organization exempt from federal income and California state franchise taxes under the provisions of Internal Revenue Code Section 501(c)(3) and Section 23701d of the California Revenue and Taxation Code. However, WVI remains subject to income taxes on any net income that is derived from a trade or business, regularly carried on and not in furtherance of the purpose for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the consolidated financial statements as a whole. Accounting Standards Codification (ASC) Topic 740 (ASC 740), *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return, and provides guidance on derecognition, classification, interest and penalties, disclosure, and transition. Management believes there are no such uncertain tax positions for the Organization for the years ended September 30, 2012 and 2011.

The foreign World Vision offices that are not part of the entity of WVI as listed in note 1 are separate not-for-profit organizations organized within their respective countries. They are subject to the respective local tax laws. Taxes recorded in program services expense and supporting services expense in the accompanying consolidated statements of activities consist entirely of non-U.S. taxes related to the operations of the foreign consolidated entities.

MFIs are subject to their respective local tax laws, pursuant to which some are taxable and some are not taxable (or tax-exempt). Taxes totaling $3,940 and $3,169 for the years ended September 30, 2012 and 2011, respectively, are recorded in program services expense in the accompanying consolidated statements of activities and consist entirely of non-U.S. taxes related to the operations of the foreign consolidated entities.

(4) Fair Value

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 or most advantageous market of the asset. A three-tier hierarchy was established by the Financial Accounting Standards Board (FASB) to classify measurement inputs for determining fair value for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

Level 1 – Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Inputs that are unobservable, including the Organization's own assumptions in determining the fair value of assets or liabilities.

In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the asset in its entirety 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 profile of that asset.

(Amounts in thousands)

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2012:

		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:				
Investments:				
Certificates of deposit	$	71,379	—	71,379
Domestic government securities		14,178	—	14,178
Foreign government securities		2,905	2,905	—
Foreign corporate stocks		5,823	5,823	—
Other investments		1,710	1,710	—
Domestic corporate debt		14,234	—	14,234
Total investments	$	110,229	10,438	99,791
Liabilities:				
Foreign exchange currency contracts	$	9,650	—	9,650

(Amounts in thousands)

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2011:

		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:				
Investments:				
Certificates of deposit	$	61,428	—	61,428
Domestic government securities		18,550	—	18,550
Foreign government securities		5,196	2,537	2,659
Foreign corporate stocks		1,369	1,369	—
Other investments		5,351	2,284	3,067
Domestic corporate debt		10,335	—	10,335
Total investments	$	102,229	6,190	96,039
Foreign exchange currency contracts	$	10,630	—	10,630

Level 2 investments primarily consist of certificates of deposit held at the National Offices' local banks. Level 2 investments also include time deposits held with the National Offices' local government. The fair value of these investments is determined through the use of other significant observable inputs (including quoted prices for similar investments, interest rates, etc.).

(5) Due from/to Unconsolidated Affiliates

Amounts due from/to unconsolidated affiliates represent short-term transactions relating to project commitments and investments held for unconsolidated affiliates. Amounts due from/to unconsolidated affiliates at September 30, 2012 and 2011 are as follows:

		2012	2011
Due from unconsolidated affiliates:			
World Vision United States	$	80,851	76,867
World Vision Korea		5,347	16,742
World Vision Germany		2,360	5,797
World Vision Taiwan		2,095	—
World Vision Austria		138	265
World Vision Switzerland		13	26
World Vision Netherlands		—	225
Total due from unconsolidated affiliates	$	90,804	99,922

(Amounts in thousands)

		2012	2011
Due to unconsolidated affiliates:			
World Vision Japan	$	11,473	22,441
World Vision Canada		5,215	4,958
World Vision Germany		515	495
World Vision Italy		1	10
World Vision Spain		—	26
Total due to unconsolidated affiliates	$	17,204	27,930

(6) Microfinance Loans Receivable

The Organization adopted ASU No. 2010-20, *Disclosure about the Credit Quality of Financing Receivables and the Allowance for Credit Losses* (Topic 310), effective September 30, 2012. This ASU is intended to provide financial statement users with greater transparency about an entity's allowance for credit losses and the credit quality of its financial receivables. This ASU amends existing disclosures and provides additional disclosures about its financing receivables on a disaggregated basis.

WVI operates microenterprise development activities in many countries primarily through microfinance institutions. These community-based loan programs are designed to assist individuals without access to normal banking resources with loans for the development of small business enterprises. These loans consist of funds lent to entrepreneurial individuals, solidarity groups, and community banks for the purpose of furthering economic development in the communities served. Amounts in microfinance loans receivable represent funds lent to the entrepreneurial poor in the respective areas of operation.

Microfinance loans receivable, net at September 30, 2012 and 2011, consist of the following:

		2012	2011
Microfinance loans receivable, gross	$	415,014	358,098
Less loan loss allowance		(10,023)	(12,088)
Microfinance loans receivable, net	$	404,991	346,010

The average loan amount varies by country from less than three hundred dollars to four thousand six hundred dollars. The average loan terms commonly range from 5 to 45 months with a weighted average maturity of approximately 18 months.

Interest rates on the outstanding loans vary by country due to varying inflation rates and operating environments. For the years ending September 2012 and 2011, the weighted average annual interest rates charged were 32% and 31%, respectively.

The Organization's weighted average interest rate is within the normal range for the microfinance industry. According to data compiled by the Microfinance Information Exchange, in 2011, the industry weighted average yield on loan portfolio was 32% for MFIs with loan portfolios of less than $80,000. In 2012, the average loan portfolio for the Organization's consolidated MFIs was $10,641, with the largest consolidated MFI loan portfolio being $75,432.

(Amounts in thousands)

Loans to MFI clients were concentrated in the following regions as of September 30, 2012 and 2011:

Region of operations		**2012**	**2011**
Africa	$	41,367	28,596
Latin America/Caribbean		77,668	66,459
Middle East/Eastern Europe		229,997	205,525
Asia/Pacific		65,982	57,518
	$	415,014	358,098

Changes in the allowance for loan losses for the years ended September 30, 2012 and 2011 are as follows:

Allowance for loan loss		**2012**	**2011**
Beginning of year	$	12,088	18,778
Loans written off		(7,625)	(14,872)
Provision for loan loss		6,634	11,963
Currency valuation change		(1,074)	(3,781)
End of year	$	10,023	12,088

In the years ending September 30, 2012 and 2011, funds recovered from loans written off totaled $4,709 and $4,706, respectively. These amounts are included within other revenue and gains on the accompanying consolidated statements of activities.

(Amounts in thousands)

(7) Land, Buildings and Equipment, Net

Land, buildings and equipment, net at September 30, 2012 and 2011, consist of the following:

		2012	2011
Land	$	13,629	11,022
Buildings and improvements		34,754	25,965
Computers and software		35,831	23,229
Vehicles		8,794	7,668
Furniture and other equipment		12,823	11,176
Total land, buildings and equipment		105,831	79,060
Less accumulated depreciation		(35,739)	(29,804)
Total land, buildings and equipment, net	$	70,092	49,256

(8) Foreign Exchange Contracts

The Organization receives most of its funds from unconsolidated national support entities throughout the world (as discussed in note 12, Contributions and Gift-in-kind Revenues). Planned fundings are made annually by these entities in the local currency of the respective countries. In order to protect against adverse fluctuations in such currencies, the Organization may enter into foreign currency forward (FOREX) contracts, which provide for the future exchange of funds at agreed-upon rates. These agreements are recorded at fair value at September 30, 2012 and 2011. Any unrealized gains or losses as of September 30, 2012 and 2011 are recognized in the consolidated statements of activities. Any realized gains or losses as of September 30, 2012 and 2011 are recognized in contributions revenue in the consolidated statements of activities. It is the Organization’s general policy and practice to hold such contracts until maturity.

For the years ended September 30, 2012 and 2011, the Organization recorded a change in cumulative unrealized (losses) gains of $(20,280) and $32,563, respectively, on FOREX contracts held.

At September 30, 2012 and 2011, the Organization had in place foreign currency contracts for purchases of U.S. dollars with notional amounts totaling $640,074 and $506,176, respectively, and sales of U.S. dollars for foreign currencies with notional amounts totaling $344,577 and $324,917, respectively.

(Amounts in thousands)

(9) Notes Payable

Notes payable represent amounts received from various foundations, individuals, unconsolidated national support entities, and banking organizations, which extended loans to the Organization to provide funding for its activities. At September 30, 2012 and 2011, a total of $258,650 and $220,899, respectively, in loans was outstanding. All of these loans were issued in relation to World Vision's microfinance activities. Interest rates generally range from 2% to 13%. These loans are scheduled for repayment as follows:

Fiscal year:		
2013	$	96,065
2014		81,441
2015		57,426
2016		6,467
2017		3,955
2018 and thereafter		13,296
Total	$	258,650

Notes payable are unsecured with the exception of aggregate loans of $14,505 and $15,382 at September 30, 2012 and 2011, respectively, in loans that have been guaranteed by the assets of microfinance institutions. Each of these collateral agreements represents a first priority guarantee on the assets of a particular microfinance institution. Interest expense totaling $20,151 and $21,606 for the years ended September 30, 2012 and 2011, respectively, is recorded in the consolidated statements of activities as Microenterprise development program services expense.

(Amounts in thousands)

(10) Net Assets

Consolidated net assets at September 30, 2012 are restricted or designated for the following purposes:

	Unrestricted	Temporarily restricted	Total
Contributions received designated for future program services	$ 191,197	—	191,197
Contributions of gifts-in-kind restricted for international programs	—	116,973	116,973
Contributions received restricted for international relief and community development	—	402,993	402,993
Other designated amounts:			
Christian endowment	13,057	—	13,057
Undesignated deficit	(52,855)	—	(52,855)
Represented by noncontrolling financial interest in subsidiaries	4,998	—	4,998
Represented by fixed assets and investments:			
Land, buildings, and equipment, net	70,092	—	70,092
Investment in captive insurance company	690	—	690
	$ 227,179	519,966	747,145

(Amounts in thousands)

Consolidated net assets at September 30, 2011 are restricted or designated for the following purposes:

		Unrestricted	Temporarily restricted	Total
Contributions received designated for future program services	$	189,192	—	189,192
Contributions of gifts-in-kind restricted for international programs		—	191,353	191,353
Contributions received restricted for international relief and community development		—	394,963	394,963
Other designated amounts:				
Christian endowment		12,798	—	12,798
Undesignated deficit		(26,027)	—	(26,027)
Represented by fixed assets and investments:				
Land, buildings, and equipment, net		49,256	—	49,256
Investment in captive insurance company		690	—	690
	$	225,909	586,316	812,225

(11) Endowments

Most states (including California) have adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA governs the appropriation to expenditure of donor-designated endowments, subject to the intent of the donor as expressed in the gift instrument. UPMIFA is not applicable to board-designated endowments. The Organization has one board-designated endowment and does not have any donor-restricted endowments. The Organization has a policy for the board-designated endowment allowing that, annually, the board may appropriate and expend all or part of the accumulated income.

Balance, September 30, 2010	$	12,688
Net investment return		148
Appropriated expenditures		(38)
Balance, September 30, 2011		12,798
Net investment return		460
Appropriated expenditures		(201)
Balance, September 30, 2012	$	13,057

(Continued)

(Amounts in thousands)

(12) Contributions and Gift-in-Kind Revenues

Contributions and gift-in-kind revenues for the year ended September 30, 2012 are as follows:

		Unrestricted	Temporarily restricted	Total
Contributions:				
World Vision United States	$	59,297	453,247	512,544
World Vision Canada		22,002	193,805	215,807
World Vision Australia		18,821	190,831	209,652
World Vision Korea		4,409	89,277	93,686
World Vision Germany		1,580	84,640	86,220
World Vision Hong Kong		6,015	75,527	81,542
World Vision United Kingdom		9,971	63,809	73,780
World Vision Taiwan		4,236	45,307	49,543
World Vision Switzerland		3,176	33,390	36,566
World Vision Japan		2,216	31,662	33,878
World Vision New Zealand		2,774	26,646	29,420
World Vision Malaysia		163	8,806	8,969
World Vision Finland		280	7,091	7,371
World Vision Netherlands		261	6,513	6,774
World Vision Ireland		388	6,078	6,466
World Vision Austria		8	6,434	6,442
World Vision France		—	5,037	5,037
World Vision Italy		—	310	310
Nonaffiliated sources:				
World Vision Singapore		—	10,528	10,528
World Vision Spain		—	5,844	5,844
Other Subsidiaries		9,840	63,464	73,304
Subtotal		145,437	1,408,246	1,553,683
Gifts-in-kind:				
World Vision United States		—	203,010	203,010
World Vision Canada		—	90,787	90,787
World Vision Australia		—	21,236	21,236
World Vision Taiwan		—	9,970	9,970
World Vision Hong Kong		—	4,585	4,585
World Vision Germany		—	3,610	3,610
World Vision Switzerland		—	3,485	3,485
World Vision United Kingdom		—	3,347	3,347
World Vision New Zealand		—	3,161	3,161
World Vision Korea		—	2,054	2,054

(Continued)

(Amounts in thousands)

		Unrestricted	Temporarily restricted	Total
World Vision Japan	$	—	2,037	2,037
World Vision Austria		—	347	347
World Vision Ireland		—	59	59
Nonaffiliated sources:				
World Vision Singapore		—	346	346
Other Subsidiaries		—	3,233	3,233
Subtotal		—	351,267	351,267
Total	$	145,437	1,759,513	1,904,950

Contributions and gift-in-kind revenues for the year ended September 30, 2011 are as follows:

		Unrestricted	Temporarily restricted	Total
Contributions:				
World Vision United States	$	56,743	442,266	499,009
World Vision Canada		20,223	186,146	206,369
World Vision Australia		17,771	185,191	202,962
World Vision Germany		1,400	89,254	90,654
World Vision Hong Kong		5,666	81,326	86,992
World Vision Korea		4,164	76,458	80,622
World Vision United Kingdom		8,116	60,196	68,312
World Vision Taiwan		4,002	54,257	58,259
World Vision Switzerland		2,996	35,024	38,020
World Vision Japan		2,093	34,212	36,305
World Vision New Zealand		2,618	21,466	24,084
World Vision Malaysia		108	8,390	8,498
World Vision Austria		309	8,155	8,464
World Vision Finland		273	7,380	7,653
World Vision Ireland		375	6,842	7,217
World Vision Netherlands		287	6,764	7,051
World Vision France		—	4,602	4,602
World Vision Spain		—	2,953	2,953
World Vision Italy		—	716	716
Nonaffiliated sources				
World Vision Singapore		441	6,848	7,289
Other Subsidiaries		7,216	60,723	67,939
Subtotal		134,801	1,379,169	1,513,970

(Continued)

(Amounts in thousands)

	Unrestricted	Temporarily restricted	Total
Gifts-in-kind:			
World Vision United States	$ —	231,894	231,894
World Vision Canada	—	91,823	91,823
World Vision Australia	—	21,133	21,133
World Vision Switzerland	—	8,609	8,609
World Vision United Kingdom	—	7,021	7,021
World Vision Hong Kong	—	6,032	6,032
World Vision Germany	—	4,307	4,307
World Vision Japan	—	3,393	3,393
World Vision New Zealand	—	3,214	3,214
World Vision Taiwan	—	3,091	3,091
World Vision Korea	—	2,078	2,078
World Vision Austria	—	1,243	1,243
World Vision Ireland	—	205	205
Nonaffiliated sources:			
World Vision Singapore	—	—	—
Other Subsidiaries	—	12,043	12,043
Subtotal	—	396,086	396,086
Total	$ 134,801	1,775,255	1,910,056

(13) Retirement Plans

The Organization has an international defined contribution plan covering substantially all non-U.S. citizens, nonresident expatriate and contract employees who are not included in the noncontributory Cash Balance Retirement Plan referred to below. Total contributions to this plan by the Organization for the years ended September 30, 2012 and 2011 were $2,229 and $2,060, respectively.

WVI participates jointly with World Vision, Inc. (also known as World Vision United States), an unconsolidated affiliate, in a noncontributory Cash Balance Retirement Plan (the Plan) covering substantially all U.S.-based employees of WVI. The assets of the Plan are held in trust and WVI and World Vision, Inc. act as trustees of the Plan. Under the Plan, an annual pay credit and interest credit are added to a participant's account each December. The annual pay credit is based on a participant's pay and age. The annual interest credit is determined by multiplying a participant's previous year account balance by the interest rate. The interest rate is set each November for the following year, and the amount will be 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.

(Amounts in thousands)

The following table sets forth the actuarial assumptions related to the Plan. Assumptions as of September 30, 2012 and 2011 are as follows:

	2012	**2011**
Discount rate	3.05%	4.00%
Expected return on Plan assets	7.00	7.00
Rate of compensation increase	4.00	4.00

Each year the discount rate is determined 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 pension assets. Management believes the assumed rate is conservative based on historical returns.

The following tables provide a reconciliation of benefit obligations, Plan assets, and funded status of the Plan for the years ended September 30, 2012 and 2011:

	2012		**2011**	
	WVI	**Total Plan**	**WVI**	**Total Plan**
Change in benefit obligations:				
Projected benefit obligations at beginning of year	$ 30,082	99,841	28,030	91,931
Service cost	1,903	6,186	1,712	5,640
Interest cost	1,230	3,632	1,394	3,769
Changes in assumptions	3,951	7,590	1,104	3,448
Actuarial loss	715	2,315	(245)	(811)
Benefits paid	(2,553)	(5,231)	(1,860)	(3,961)
Expenses paid	(49)	(161)	(53)	(175)
Projected benefit obligations at end of year	$ 35,279	114,172	30,082	99,841
Accumulated benefit obligations at end of year	$ 31,329	101,388	26,963	89,487

(Amounts in thousands)

		2012		2011	
		WVI	**Total Plan**	**WVI**	**Total Plan**
Change in Plan assets:					
Plan assets at fair value at beginning of year	$	24,446	81,135	23,814	78,105
Actual return on Plan assets		5,826	18,854	(326)	(1,084)
Employer contributions		2,750	8,250	2,750	8,250
Benefits paid		(2,553)	(5,231)	(1,860)	(3,961)
Expenses paid		(49)	(161)	(53)	(175)
Changes in assumptions		1,360	—	121	—
Plan assets at fair value at end of year	$	31,780	102,847	24,446	81,135
Funded status	$	(3,499)	(11,325)	(5,636)	(18,706)

		2012		2011	
		WVI	**Total Plan**	**WVI**	**Total Plan**
Amounts recognized in the statements of financial position consist of:					
Funded status liability	$	(3,499)	(11,325)	(5,636)	(18,706)
Total amount recognized	$	(3,499)	(11,325)	(5,636)	(18,706)
Amounts recognized in unrestricted net assets consist of:					
Pension actuarial loss (gain)	$	(1,393)	(5,624)	2,526	7,671

(Amounts in thousands)

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

		2012		2011	
		WVI	**Total Plan**	**WVI**	**Total Plan**
Service cost	$	1,903	6,186	1,712	5,640
Interest cost		1,230	3,632	1,394	3,769
Expected return on plan assets		(1,807)	(5,335)	(1,917)	(5,184)
Amortization of net loss		680	2,010	455	1,234
Net periodic benefit cost	$	2,006	6,493	1,644	5,459

World Vision employs an asset allocation investment strategy designed to achieve a diversified portfolio mix that will maximize return while minimizing risk. The objective is to maintain a moderate risk profile. The Plan does not employ leverage and is prohibited by Board policy from investing in derivative financial instruments.

(a) Fair Value of Plan Assets

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2012:

		September 30, 2012	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**
Cash equivalents	$	228	228	—
Mutual funds:				
Domestic		44,477	44,477	—
International		13,003	13,003	—
Bond		20,439	20,439	—
Equity securities		13,285	13,153	132
Real estate investment trusts		1,225	1,225	—
Corporate bonds		1,179	—	1,179
Master limited partnerships		8,412	8,412	—
Other assets		599	599	—
Total Plan assets	$	102,847	101,536	1,311

(Continued)

(Amounts in thousands)

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2011:

		September 30, 2011	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash equivalents	$	197	197	—
Mutual funds:				
Domestic		37,638	37,638	—
International		10,656	10,656	—
Bond		10,957	10,957	—
Equity securities		11,174	11,129	45
Real estate investment trusts		915	915	—
Corporate bonds		1,878	—	1,878
Master limited partnerships		7,018	7,018	—
Other assets		702	702	—
Total Plan assets	$	81,135	79,212	1,923

The majority of the investments held by the Plan have been classified within Level 1. The Plan holds some investments within Level 2 in which the fair value is determined through other significant observable inputs. Level 2 investments include mortgage-backed securities, government securities and corporate bonds.

(b) Estimated Future Payments

The Plan contribution for the year ending September 30, 2013 is expected to be $2,750 and $8,250 for WVI and the total Plan, respectively. Assuming all participants commenced benefit payments at age 65 in the form of an immediate lump-sum payout, the following schedule estimates future benefit payments, including expected future service:

		WVI	Total plan
2012-13	$	6,317	18,952
2013-14		3,286	9,858
2014-15		3,548	10,646
2015-16		3,722	11,165
2016-17		2,937	8,811
Thereafter		16,370	49,108
	$	36,180	108,540

(Amounts in thousands)

(14) Leases

The Organization has commitments related to operating leases for building facilities, equipment, and land at September 30, 2012 and 2011.

Future minimum lease payments for the organization with remaining terms of one year or more at September 30, 2012 are as follows:

Fiscal year:		
2013	$	9,512
2014		7,524
2015		2,367
2016		1,220
2017		765
Thereafter		1,791
	$	23,179

Lease and rent expense for the years ended September 30, 2012 and 2011 was $10,124 and $10,368, respectively.

(15) Commitments and Contingencies

The Organization is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Organization’s financial position.

Grant programs funded by various governments, multilateral entities, and other grantors are subject to review by the grantor agencies, which could result in requests for reimbursement to grantor agencies for disallowed expenditures. Management believes that it has adhered to the terms of its grants and that any disallowed expenditures resulting from such reviews would not have a material effect on the financial position of the Organization.

(16) Subsequent Events

The Organization has evaluated subsequent events from September 30, 2012 through March 27, 2013, the date on which the consolidated financial statements were available for issuance.

On November 19, 2012, the Organization established a $20,000 line of credit. This line of credit is intended to offset seasonal fluctuations in cash flow, and allows rapid relief response to sudden onset natural disasters. This line has not been drawn upon as of the date of these financial statements.