KPMG

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Financial Statements

September 30, 2013 and 2012

(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:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of World Vision International and consolidated affiliates (the Organization), which comprise the consolidated statements of financial position as of September 30, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of World Vision International and consolidated affiliates as of September 30, 2013 and 2012, and the changes in their net assets and their cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP

March 28, 2014

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Financial Position

September 30, 2013 and 2012

(Amounts in thousands)

Assets		**2013**	**2012**
Cash and cash equivalents	$	308,149	366,561
Investments (note 4)		108,820	110,229
Due from unconsolidated affiliates (note 5)		91,341	90,804
Accounts receivable		22,539	26,340
Microfinance loans receivable, net (note 6)		491,557	404,991
Inventories		162,783	116,973
Prepaid expenses		34,585	29,968
Land, buildings and equipment, net (note 7)		83,042	70,092
Foreign exchange contracts (notes 4 and 8)		19,923	8,184
Other assets		19,160	13,523
Total assets	$	1,341,899	1,237,665
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	79,133	75,624
Accrued expenses		89,157	85,441
Client deposits		21,878	19,042
Due to unconsolidated affiliates (note 5)		741	17,204
Notes payable (note 9)		323,961	258,650
Foreign exchange contracts (notes 4 and 8)		19,491	17,834
Other liabilities		15,392	16,725
Total liabilities		549,753	490,520
Net assets (note 10):			
Unrestricted:			
Noncontrolling financial interest in subsidiaries		7,586	4,998
Other unrestricted		263,328	222,181
Temporarily restricted		521,232	519,966
Total net assets		792,146	747,145
Total liabilities and net assets	$	1,341,899	1,237,665

See accompanying notes to consolidated financial statements.

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Activities

Year ended September 30, 2013

(Amounts in thousands)

	Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support from donors (note 12):			
Contributions	$ 155,398	1,306,871	1,462,269
Gifts-in-kind	—	356,835	356,835
Net assets released from restrictions	1,662,440	(1,662,440)	—
Total revenues from donors	1,817,838	1,266	1,819,104
Other revenue and gains	204,990	—	204,990
Change in cumulative unrealized gain (loss) on foreign exchange contracts	10,082	—	10,082
Total revenues, gains, and other support	2,032,910	1,266	2,034,176
Expenses:			
Program services:			
International relief and community development	1,650,844	—	1,650,844
Microenterprise development	163,873	—	163,873
Program support services	92,481	—	92,481
Total program services	1,907,198	—	1,907,198
Administrative costs:			
Supporting services	64,411	—	64,411
Fund-raising	20,943	—	20,943
Total administrative costs	85,354	—	85,354
Total expenses	1,992,552	—	1,992,552
Change in net assets before the pension actuarial gain	40,358	1,266	41,624
Pension actuarial gain (note 13)	3,377	—	3,377
Change in net assets	43,735	1,266	45,001
Net assets at beginning of year	227,179	519,966	747,145
Net assets at end of year	$ 270,914	521,232	792,146

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		176,709	—	176,709
Change in cumulative unrealized gain (loss) on foreign exchange contracts		(20,280)	—	(20,280)
Total revenues, gains, and other support		2,127,729	(66,350)	2,061,379
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		(123)	(66,350)	(66,473)
Pension actuarial gain (note 13)		1,393	—	1,393
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 Cash Flows

Years ended September 30, 2013 and 2012

(Amounts in thousands)

	2013	2012
Cash flows from operating activities:		
Change in net assets	$ 45,001	(65,080)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Gifts-in-kind, net	(45,810)	74,380
Unrealized and realized (gain) loss on investments	2,481	(1,180)
Change in cumulative unrealized (gain) loss on foreign exchange contracts	(10,082)	20,280
Depreciation	9,351	8,055
Provision for loan losses	7,455	6,634
Loss on disposal of equipment	301	126
Proceeds from sale of noncontrolling interest in subsidiary	—	(4,422)
Changes in assets and liabilities:		
Accounts receivable	3,801	(1,662)
Due from/to unconsolidated affiliates	(17,000)	(1,608)
Prepaid expenses	(4,617)	(4,517)
Other assets	(5,637)	1,528
Accounts payable and accrued expenses	7,225	10,198
Other liabilities and client deposits	1,503	4,994
Net cash provided by operating activities	(6,028)	47,726
Cash flows from investing activities:		
Purchases of investments	(139,025)	(158,466)
Proceeds from sales and maturities of investments	137,953	151,646
Proceeds from repayment of microfinance loans	667,006	567,822
Issuance of microfinance loans	(761,027)	(633,437)
Purchase of land, buildings, and equipment	(24,545)	(29,229)
Proceeds from sale of equipment	1,943	212
Net cash used in investing activities	(117,695)	(101,452)
Cash flows from financing activities:		
Payments on notes payable	(104,967)	(103,181)
Proceeds received on notes payable	170,278	140,932
Proceeds from sale of noncontrolling interest in subsidiary	—	4,422
Net cash provided by financing activities	65,311	42,173
Net change in cash and cash equivalents	(58,412)	(11,553)
Cash and cash equivalents, beginning of year	366,561	378,114
Cash and cash equivalents, end of year	$ 308,149	366,561
Supplemental cash flow disclosures:		
Cash paid during the year for interest	$ 22,567	20,718
Cash paid during the year for taxes	2,502	2,257

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 – Primarily raise funds to support WVI's programs outside of their home country. Some also perform 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
Rwanda
Senegal
Sierra Leone
Somalia
South Sudan
Sudan (Northern Sudan)
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
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
Papua New Guinea*
Solomon Islands*
Vanuatu*

*reported as Pacific Development Group/Pacific Timor Leste

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 Ltd.	Cambodia
VisionFund Credo Foundation	Georgia
VisionFund Caucasus LLC	Georgia
Microfinance Organization Credo LLC	Georgia
FUNED VisionFund OPDF	Honduras
VisionFund Kenya Ltd	Kenya
VisionFund Ltd	Malawi
VisionFund Mexico	Mexico
VisionFund AgroInvest LLC	Montenegro
Monte Credit LLC	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 Holdings Private Ltd.	Sri Lanka
VisionFund Lanka Private Ltd.	Sri Lanka
VisionFund Tanzania, MFC	Tanzania
VisionFund Uganda Ltd.	Uganda
VisionFund Zambia LLC	Zambia

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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
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 OPD	Honduras
Innovative Microfinance for Poverty Alleviation and Community Transformation	India
Mitra Masyarakat Sejahtera Foundation	Indonesia
PT. VisionFund Indonesia	Indonesia
KosInvest	Kosovo
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
VisionFund Tanzania, Trust	Tanzania
World Vision Foundation of Thailand	Thailand

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 significant 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 at the Global Center is to purchase investments with a credit rating of A+ or better. Other investments are held locally at ministry offices around the world. These investments are generally conservative and designed to preserve capital. 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. 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

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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 offices. 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, 2013 and 2012 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.

(q) Certain amounts in the 2012 financial statements have been reclassified for comparative purposes to conform to the presentation in the 2013 financial statements.

(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.

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(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, 2013 and 2012.

The foreign World Vision offices that are not part of the entity of WVI (as defined 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 $6,308 and $3,940 for the years ended September 30, 2013 and 2012, 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, 2013:

	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:			
Investments:			
Certificates of deposit	$ 73,700	—	73,700
Domestic government securities	14,175	—	14,175
Foreign government securities	2,716	2,716	—
Foreign corporate stocks	9	9	—
Other investments	4,636	4,636	—
Domestic corporate debt	13,584	—	13,584
Total investments	$ 108,820	7,361	101,459
Foreign exchange currency contracts	$ 19,923	—	19,923
Liabilities:			
Foreign exchange currency contracts	$ 19,491	—	19,491

(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
Foreign exchange currency contracts	$	8,184	—	8,184
Liabilities:				
Foreign exchange currency contracts	$	17,834	—	17,834

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.).

(Amounts in thousands)

(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, 2013 and 2012 are as follows:

		2013	2012
Due from unconsolidated affiliates:			
World Vision United States	$	77,105	80,851
World Vision Korea		11,168	5,347
World Vision Germany		2,679	2,360
World Vision United Kingdom		174	—
World Vision Taiwan		80	2,095
World Vision France		77	—
World Vision Austria		40	138
World Vision Switzerland		11	13
World Vision Italy		7	—
Total due from unconsolidated affiliates	$	91,341	90,804

		2013	2012
Due to unconsolidated affiliates:			
World Vision Germany	$	544	515
World Vision Canada		197	5,215
World Vision Japan		—	11,473
World Vision Italy		—	1
Total due to unconsolidated affiliates	$	741	17,204

(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 financing 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.

(Amounts in thousands)

Microfinance loans receivable, net at September 30, 2013 and 2012, consist of the following:

		2013	2012
Microfinance loans receivable, gross	$	501,097	415,014
Less loan loss allowance		(9,540)	(10,023)
Microfinance loans receivable, net	$	491,557	404,991

The average loan amount varies by country from less than three hundred dollars to three thousand seven hundred. The average loan terms commonly range from 5 to 39 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 2013 and 2012, the weighted average annual interest rates charged were 31% and 32%, respectively.

The Organization's weighted average interest rate of 31% is within the normal range for the microfinance industry. According to data compiled by the Microfinance Information Exchange, in 2012, the industry weighted average yield on loan portfolio was 31% for MFIs with loan portfolios of less than $115,000. In 2013, the average loan portfolio for the Organization's consolidated MFIs was $12,848, with the largest consolidated MFI loan portfolio being $114,800.

Loans to MFI clients were concentrated in the following regions as of September 30, 2013 and 2012:

Region of operations		2013	2012
Middle East/Eastern Europe	$	286,938	229,997
Latin America/Caribbean		87,687	77,668
Asia/Pacific		79,741	65,982
Africa		46,731	41,367
Total	$	501,097	415,014

Changes in the allowance for loan losses for the years ended September 30, 2013 and 2012 are as follows:

Allowance for loan loss		2013	2012
Beginning of year	$	10,023	12,088
Loans written off		(7,860)	(7,625)
Provision for loan loss		7,455	6,634
Currency valuation change		(78)	(1,074)
End of year	$	9,540	10,023

(Continued)

(Amounts in thousands)

In the years ending September 30, 2013 and 2012, funds recovered from loans written off totaled $4,556 and $4,709, respectively. These amounts are included within other revenue and gains on the accompanying consolidated statements of activities.

(7) Land, Buildings and Equipment, Net

Land, buildings and equipment, net at September 30, 2013 and 2012, consist of the following:

		2013	2012
Land	$	13,567	13,629
Buildings and improvements		39,894	34,754
Computers and software		51,650	35,831
Vehicles		10,389	8,794
Furniture and other equipment		11,526	12,823
Total land, buildings and equipment		127,026	105,831
Less accumulated depreciation		(43,984)	(35,739)
Total land, buildings and equipment, net	$	83,042	70,092

(8) Foreign Exchange Contracts

The Organization receives most of its funds from unconsolidated national support offices 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, 2013 and 2012. Any unrealized gains or losses as of September 30, 2013 and 2012 are recognized in the consolidated statements of activities. Any realized gains or losses as of September 30, 2013 and 2012 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, 2013 and 2012, the Organization recorded a change in cumulative unrealized gains (losses) of $10,082 and $(20,280), respectively, on FOREX contracts held.

At September 30, 2013 and 2012, the Organization had in place foreign currency contracts for purchases of U.S. dollars with notional amounts totaling $657,332 and $640,074, respectively, and sales of U.S. dollars for foreign currencies with notional amounts totaling $392,405 and $344,577, respectively.

(Amounts in thousands)

(9) Notes Payable

Notes payable represent amounts received from various foundations, individuals, unconsolidated national support offices, and banking organizations, which extended loans to the Organization to provide funding for its activities. At September 30, 2013 and 2012, a total of $323,961 and $258,650, 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 14%. These loans are scheduled for repayment as follows:

Fiscal year:		
2014	$	107,822
2015		118,943
2016		67,609
2017		12,360
2018		6,476
2019 and thereafter		10,751
Total	$	323,961

Notes payable are unsecured with the exception of aggregate loans of $22,413 and $14,505 at September 30, 2013 and 2012, 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 $26,541 and $20,151 for the years ended September 30, 2013 and 2012, 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, 2013 are restricted or designated for the following purposes:

	Unrestricted	Temporarily restricted	Total
Contributions received designated for future program services	$ 203,738		203,738
Contributions of gifts-in-kind restricted for international programs		162,783	162,783
Contributions received restricted for international relief and community development		358,449	358,449
Other designated amounts:			
Christian endowment	13,202		13,202
Unrealized gain (loss) on foreign exchange contracts	432		432
Undesignated deficit	(37,776)		(37,776)
Represented by noncontrolling financial interest in subsidiaries	7,586		7,586
Represented by fixed assets and investments:			
Land, buildings, and equipment, net	83,042		83,042
Investment in captive insurance company	690		690
	$ 270,914	521,232	792,146

(Amounts in thousands)

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	$	191,533	—	191,533
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
Unrealized gain (loss) on foreign exchange contracts		(9,650)	—	(9,650)
Undesignated deficit		(43,541)	—	(43,541)
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)

(11) Endowments

Most states (including California) have adopted the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA governs the appropriation of expenditures from 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, 2011	$	12,798
Net investment return		460
Appropriated expenditures		(201)
Return of decommitted funds		—
Balance, September 30, 2012		13,057
Net investment return		124
Appropriated expenditures		—
Return of decommitted funds		21
Balance, September 30, 2013	$	13,202

(Amounts in thousands)

(12) Contributions and Gift-in-Kind Revenue

Contributions and gift-in-kind revenues for the year ended September 30, 2013 are as follows:

		Unrestricted	Temporarily restricted	Total
Contributions:				
World Vision United States	$	62,762	419,280	482,042
World Vision Australia		19,921	193,989	213,910
World Vision Canada		22,002	175,632	197,634
World Vision Korea		4,667	90,567	95,234
World Vision Hong Kong		6,015	81,031	87,046
World Vision Germany		1,581	75,855	77,436
World Vision United Kingdom		7,821	62,684	70,505
World Vision Taiwan		4,384	47,465	51,849
World Vision Japan		2,216	40,355	42,571
World Vision Switzerland		3,176	30,053	33,229
World Vision New Zealand		2,774	30,327	33,101
World Vision Malaysia		173	10,326	10,499
World Vision Finland		288	7,171	7,459
World Vision France		—	6,183	6,183
World Vision Austria		494	4,909	5,403
World Vision Ireland		263	4,772	5,035
World Vision Netherlands		298	4,393	4,691
World Vision Italy		—	251	251
Contributions received from nonaffiliated sources through:				
World Vision Singapore		—	12,706	12,706
World Vision Spain		—	3,837	3,837
Other Subsidiaries		16,563	5,085	21,648
Subtotal		155,398	1,306,871	1,462,269
Gift-in-kind:				
World Vision United States		—	197,587	197,587
World Vision Canada		—	94,631	94,631
World Vision Australia		—	23,985	23,985
World Vision Taiwan		—	7,697	7,697
World Vision Hong Kong		—	5,640	5,640
World Vision United Kingdom		—	4,849	4,849
World Vision Switzerland		—	4,440	4,440
World Vision Germany		—	3,765	3,765
World Vision Korea		—	2,384	2,384
World Vision Japan		—	2,248	2,248
World Vision New Zealand		—	2,106	2,106

(Amounts in thousands)

		Unrestricted	Temporarily restricted	Total
World Vision Austria	$	—	201	201
World Vision France		—	30	30
Gift-in-kind received from nonaffiliated sources through:				
Other Subsidiaries		—	7,272	7,272
Subtotal		—	356,835	356,835
Total	$	155,398	1,663,706	1,819,104

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
Contributions received from nonaffiliated sources through:				
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

(Amounts in thousands)

	Unrestricted	Temporarily restricted	Total
Gift-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
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

(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, 2013 and 2012 were $2,206 and $2,229, 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, 2013 and 2012 are as follows:

	2013	2012
Discount rate	4.00%	3.05%
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, 2013 and 2012:

	2013		2012	
	WVI	Total Plan	WVI	Total Plan
Change in benefit obligations:				
Projected benefit obligations at beginning of year	$ 35,279	114,172	30,082	99,841
Service cost	2,228	7,087	1,903	6,186
Interest cost	1,086	3,192	1,230	3,632
Changes in assumptions	(2,963)	(7,651)	3,951	7,590
Actuarial loss	305	1,011	715	2,315
Benefits paid	(1,919)	(4,915)	(2,553)	(5,231)
Expenses paid	(49)	(165)	(49)	(161)
Projected benefit obligations at end of year	$ 33,967	112,731	35,279	114,172
Accumulated benefit obligations at end of year	$ 33,356	100,748	31,329	101,388

(Amounts in thousands)

		2013		2012	
		WVI	**Total Plan**	**WVI**	**Total Plan**
Change in Plan assets:					
Plan assets at fair value at beginning of year	$	31,780	102,847	24,446	81,135
Actual return on Plan assets		3,240	10,755	5,826	18,854
Employer contributions		2,750	8,250	2,750	8,250
Benefits paid		(1,919)	(4,915)	(2,553)	(5,231)
Expenses paid		(49)	(165)	(49)	(161)
Changes in assumptions		(618)	—	1,360	—
Plan assets at fair value at end of year	$	35,184	116,772	31,780	102,847
Funded status	$	1,217	4,041	(3,499)	(11,325)

		2013		2012	
		WVI	**Total Plan**	**WVI**	**Total Plan**
Amounts recognized in the statements of financial position consist of:					
Funded status asset (liability)	$	1,217	4,041	(3,499)	(11,325)
Total amount recognized	$	1,217	4,041	(3,499)	(11,325)
Amounts recognized in unrestricted net assets consist of:					
Pension actuarial gain	$	3,377	11,798	1,393	5,624

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

		2013		2012	
		WVI	**Total Plan**	**WVI**	**Total Plan**
Service cost	$	2,228	7,087	1,903	6,186
Interest cost		1,086	3,192	1,230	3,632
Expected return on plan assets		(2,319)	(6,821)	(1,807)	(5,335)
Amortization of net loss		415	1,223	680	2,010
Net periodic benefit cost	$	1,410	4,681	2,006	6,493

(Continued)

(Amounts in thousands)

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, 2013:

	September 30, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Cash equivalents	$ 414	414	—
Mutual funds:			
Domestic	50,647	50,647	—
International	14,866	14,866	—
Bond	22,558	22,558	—
Equity securities	14,518	14,518	—
Real estate investment trusts	1,564	1,564	—
Corporate bonds	1,101	—	1,101
Master limited partnerships	10,537	10,537	—
Other assets	567	567	—
Total Plan assets	$ 116,772	115,671	1,101

(Amounts in thousands)

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

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. The majority of Level 2 investments are corporate bonds.

(b) Estimated Future Payments

The Plan contribution for the year ending September 30, 2014 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
2013-14	$ 4,842	14,525
2014-15	3,507	10,519
2015-16	3,683	11,051
2016-17	3,951	11,852
2017-18	3,451	10,354
Thereafter	17,625	52,875
	$ 37,059	111,176

(Continued)

(Amounts in thousands)

(14) Leases

The Organization has commitments related to operating leases for building facilities, equipment, and land at September 30, 2013 and 2012.

Future minimum lease payments for the organization with remaining terms of one year or more at September 30, 2013 are as follows:

Fiscal year:		
2014	$	13,379
2015		7,588
2016		3,436
2017		2,312
2018		1,922
Thereafter		3,155
	$	31,792

Lease and rent expense for the years ended September 30, 2013 and 2012 was $13,435 and $10,124, 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, 2013 through March 28, 2014, the date on which the consolidated financial statements were available for issuance.