WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Financial Statements

September 30, 2008 and 2007

(With Independent Auditors’ Report Thereon)

KPMG LLP
Suite 700
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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, 2008 and 2007, 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 did not audit the financial statements of Micro Credit Organization 'EKI' Sarajevo, a consolidated affiliated entity, which statements reflect total assets constituting 15% and 15% as of September 30, 2008 and 2007, respectively, and total revenues constituting 2% and 1% for the years ended September 30, 2008 and 2007, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Micro Credit Organization 'EKI' Sarajevo, is based solely on the report of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, 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, 2008 and 2007, 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.

As discussed in notes 2 and 11 to the consolidated financial statements, the Organization adopted the recognition and disclosure provisions of Statement of Financial and Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans,* as of September 30, 2007.

KPMG LLP

June 23, 2009

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Financial Position

September 30, 2008 and 2007

(Amounts in thousands)

Assets		2008	2007
Cash and cash equivalents	$	271,172	196,161
Investments (note 3)		32,789	103,119
Due from unconsolidated affiliates (note 4)		148,266	136,046
Receivables		15,996	9,856
Microfinance loans receivable, net (note 5)		384,797	283,570
Inventories		172,726	51,041
Prepaid expenses		12,650	11,137
Land, buildings, and equipment, net (note 6)		35,264	27,341
Unrealized gain on foreign exchange contracts		—	1,687
Other assets		10,656	11,063
Total assets	$	1,084,316	831,021
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	49,791	42,498
Accrued expenses		57,154	49,581
Due to unconsolidated affiliates (note 4)		1,041	643
Notes payable (note 7)		244,709	159,933
Unrealized loss on foreign exchange contracts		6,045	—
Other liabilities		24,417	29,253
Total liabilities		383,157	281,908
Net assets (note 9):			
Unrestricted		128,599	136,786
Temporarily restricted		572,560	412,327
Total net assets		701,159	549,113
Total liabilities and net assets	$	1,084,316	831,021

See accompanying notes to consolidated financial statements.

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statement of Activities

Year ended September 30, 2008

(Amounts in thousands)

		Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support:				
From support entities (note 10):				
Contributions	$	106,397	1,161,042	1,267,439
Gifts-in-kind		—	509,118	509,118
Total revenues from support entities		106,397	1,670,160	1,776,557
Net assets released from restrictions		1,517,719	(1,517,719)	—
		1,624,116	152,441	1,776,557
Other revenue and gains		94,732	7,792	102,524
Unrealized (loss) gain on foreign exchange contracts		(7,732)	—	(7,732)
Total revenues, gains, and other support		1,711,116	160,233	1,871,349
Expenses:				
Program services:				
International relief and community development		1,526,520	—	1,526,520
Microenterprise development		92,828	—	92,828
Program support services		59,559	—	59,559
Total program services		1,678,907	—	1,678,907
Administrative costs:				
Supporting services		27,569	—	27,569
Fundraising		9,170	—	9,170
Total supporting services		36,739	—	36,739
Total expenses		1,715,646	—	1,715,646
Change in net assets before effect of pension plan adjustment and adoption of SFAS 158		(4,530)	160,233	155,703
Pension plan adjustment		(3,657)	—	(3,657)
Effect of adoption of recognition provision of SFAS 158 (notes 2 and 11)		—	—	—
Change in net assets		(8,187)	160,233	152,046
Net assets at beginning of year		136,786	412,327	549,113
Net assets at end of year	$	128,599	572,560	701,159

See accompanying notes to consolidated financial statements.

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statement of Activities

Year ended September 30, 2007

(Amounts in thousands)

	Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support:			
From support entities (note 10):			
Contributions	$ 90,507	1,022,037	1,112,544
Gifts-in-kind	—	459,189	459,189
Total revenues from support entities	90,507	1,481,226	1,571,733
Net assets released from restrictions	1,466,789	(1,466,789)	—
	1,557,296	14,437	1,571,733
Other revenue and gains	74,777	6,842	81,619
Unrealized (loss) gain on foreign exchange contracts	3,708	—	3,708
Total revenues, gains, and other support	1,635,781	21,279	1,657,060
Expenses:			
Program services:			
International relief and community development	1,458,976	—	1,458,976
Microenterprise development	58,770	—	58,770
Program support services	59,611	—	59,611
Total program services	1,577,357	—	1,577,357
Administrative costs:			
Supporting services	33,984	—	33,984
Fundraising	5,342	—	5,342
Total supporting services	39,326	—	39,326
Total expenses	1,616,683	—	1,616,683
Change in net assets before effect of pension plan adjustment and adoption of SFAS 158	19,098	21,279	40,377
Pension plan adjustment	—	—	—
Effect of adoption of recognition provision of SFAS 158 (notes 2 and 11)	123	—	123
Change in net assets	19,221	21,279	40,500
Net assets at beginning of year	117,565	391,048	508,613
Net assets at end of year	$ 136,786	412,327	549,113

See accompanying notes to consolidated financial statements.

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2008 and 2007

(Amounts in thousands)

		2008	2007
Cash flows from operating activities:			
Change in net assets	$	152,046	40,500
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Gifts-in-kind, net		(121,685)	(18,838)
Unrealized and realized gains on investments		(382)	(537)
Unrealized loss (gain) foreign exchange contracts		7,732	(3,708)
Depreciation and amortization		4,329	3,389
Provision for loan losses		10,104	3,758
Revaluation of foreign currency loans		240	(326)
Loss (gain) on disposal of equipment		1,028	(3)
Change in net assets, due to adoption of SFAS 158		—	(123)
Changes in assets and liabilities:			
Receivables		(6,140)	(3,025)
Due from/to unconsolidated affiliates		(11,822)	(38,158)
Prepaid expenses		(1,513)	(1,598)
Other assets		407	(4,303)
Accounts payable and accrued expenses		14,866	24,363
Other liabilities		(4,836)	7,642
Net cash provided by operating activities		44,374	9,033
Cash flows from investing activities:			
Purchase of investments		(418,626)	(920,629)
Proceeds from sales of investments		489,338	946,565
Proceeds from repayment of microfinance loans		363,374	234,405
Issuance of microfinance loans		(474,705)	(358,246)
Purchase of land, buildings, and equipment		(13,280)	(8,768)
Proceeds from sale of equipment		—	19
Other		—	(194)
Net cash used in investing activities		(53,899)	(106,848)
Cash flows from financing activities:			
Payments on notes payable		(33,406)	(34,650)
Proceeds received on notes payable		117,942	130,105
Net cash provided by financing activities		84,536	95,455
Net increase (decrease) in cash and cash equivalents		75,011	(2,360)
Cash and cash equivalents, beginning of year		196,161	198,521
Cash and cash equivalents, end of year	$	271,172	196,161
Supplemental cash flow disclosures:			
Cash paid during the year for interest	$	16,496	7,977
Cash paid during the year for taxes		1,690	694

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 of Christians whose mission is to follow the 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 belonging to the Partnership using the World Vision trademark. (Partnership refers to the entire World Vision family throughout the world. The word "Partnership" is used in a broad, informal sense, rather than a legal sense.) WVI provides the formal international structure for the Partnership. It operates primarily as a Global Centre to consolidate donations, the majority of which are received from various affiliated support entities, and use those donations for relief aid and community development work in field countries, either through WVI's own branch offices or through affiliated entities.

The consolidated financial statements include WVI, its subsidiaries, and other affiliates required or allowed to be consolidated under U.S. generally accepted accounting principles. Specifically, these consolidated financial statements include the following subsidiaries and affiliated entities:

VisionFund International (VFI)

VFI is a nonprofit corporation that was established for the purpose of developing and administering the Organization's microfinance network. The activities of VFI involve ownership of certain microfinance institutions as well as the lending of funds to microfinance institutions and providing oversight for them. The microfinance institutions' 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.

World Vision International – Geneva (WV Geneva)

WV Geneva is a Swiss nonprofit association that was established to strengthen the liaison between WVI and international organizations based in Geneva.

Newsvision International Limited

Newsvision is a private company limited by shares incorporated in the United Kingdom. Newsvision is dormant and had no activity during the years ended September 30, 2008 and 2007 respectively.

Following are the consolidated **WVI branch offices**:

Regional Offices:

- World Vision Africa Complex Humanitarian Emergency Office
- World Vision Africa Vice President Office
- World Vision Asia Pacific Humanitarian Emergency Affairs (HEA) Office
- World Vision Asia Pacific Regional Office
- World Vision East Africa Regional Office
- World Vision Latin America Regional Office
- World Vision Middle East & Eastern Europe Regional Office
- World Vision Southern Africa Regional Office
- World Vision West Africa Regional Office

National Offices:

World Vision Afghanistan
World Vision Albania
World Vision Angola
World Vision Armenia
World Vision Asia Tsunami Response [1]
World Vision Azerbaijan
World Vision Bangladesh
World Vision Bolivia
World Vision Bosnia-Herzegovina
World Vision Burundi
World Vision Cambodia
World Vision Chad
World Vision Chile
World Vision China
World Vision Columbia
World Vision Costa Rica
World Vision Democratic Republic of Congo
World Vision Dominican Republic
World Vision East Democratic Republic of Congo [2]
World Vision East Timor
World Vision Ecuador
World Vision Ethiopia
World Vision Georgia
World Vision Ghana
World Vision Haiti
World Vision India Tsunami Response [1]
World Vision Indonesia Tsunami Response [1]
World Vision Jordan
World Vision Jerusalem West Bank Gaza
World Vision Kenya
World Vision Kosovo
World Vision Laos
World Vision Lebanon & Syria
World Vision Lesotho
World Vision Liberia
World Vision Malawi
World Vision Mali
World Vision Mauritania
World Vision Mongolia
World Vision Mozambique
World Vision Myanmar
World Vision Nepal
World Vision Nicaragua
World Vision Niger
World Vision North Korea
World Vision Pacific Development Group
World Vision Pakistan
World Vision Peru
World Vision Romania
World Vision Russia
World Vision Rwanda
World Vision Senegal
World Vision Sierra Leone
World Vision Singapore
World Vision Somalia
World Vision Sri Lanka Tsunami Response [1]
World Vision Sudan
World Vision Sudan (North)
World Vision Swaziland
World Vision Thailand Tsunami Response [1]
World Vision Uganda
World Vision Uzbekistan
World Vision Vietnam
World Vision Zambia
World Vision Zimbabwe

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[1] During the year ended September 30, 2008, all World Vision Tsunami Offices were closed and their remaining resources and obligations were transferred to their respective National Offices.

[2] The East Democratic Republic of Congo office was merged with the Democratic Republic of Congo office in FY 2008.

Following are the consolidated **affiliated national WVI entities**:

Intermediate National Offices:

World Vision Guatemala	World Vision Mexico	World Vision Sri Lanka
World Vision India	World Vision Philippines	World Vision Tanzania
World Vision Indonesia	World Vision South Africa	World Vision Thailand

Fully Interdependent National Offices:

World Vision Brazil	World Vision El Salvador	World Vision Honduras

Following are the consolidated **microfinance institutions**:

Building Futures (Albania)

SEF International Universal Credit Organization LLC (Armenia)

World Vision AzerCredit LLC (Azerbaijan) [3]

World Vision Bangladesh Micro-Enterprise Development Program (Bangladesh)

Fundación Boliviana para el Desarrollo (Bolivia)

Micro Credit Organization ‘EKI’ Sarajevo (Bosnia)

Agencia Nacional de Desenvolvimento Microempresarial (Brazil)

Kazoza Vision Finance (Burundi)

Institut de Credit et d’Appui aux Micro Entrepreneurs (Chad)

Programa de Desarrollo Económico Social Sostenible (Chile)

Kunming Micro-Enterprise Development Program (China)

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)

[3] During the year ended September 30, 2008, this MFI was purchased by VFI and was consolidated in the financial statements of VFI.

Fundación para el Desarrollo de Honduras (Honduras)

Innovative Microfinance for Poverty Alleviation and Community Transformation (India)

Mitra Masyarakat Sejahtera Foundation (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)

Progamme Pour Le Development De L'Entreprise (Mauritania)

Fundación Realidad, A.C. (Mexico)

Vision Fund Mongolia LLC (Mongolia)

Mikrokreditna Finansijska Institucija AgroInvest VFI DOO-Podgorica (Montenegro) [4]

AgroInvest NVO-Podgorica (Montenegro)

World Vision Myanmar Micro-Enterprise Development Program (Myanmar)

Foundation 4i-2000 (Nicaragua)

Daraja (Niger)

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 Srbija i Crna Gora Beograd (Serbia)

Senegal Micro Finance (Senegal)

VisionFund Lanka (Gte.) Ltd. (Sri Lanka)

Swaziland Micro Finance Enterprise (Swaziland)

Small Enterprise Development Agency (Tanzania)

World Vision Foundation of Thailand (Thailand)

Micro Enterprises Development Network Limited (Uganda)

World Vision Vietnam Micro-Enterprise Development Program (Vietnam)

Harmos Micro Enterprise Development Ltd. (Zambia)

Pundutso Micro Finance (Private) Ltd. (Zimbabwe)

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[4] During the year ended September 30, 2007, this microfinance institution was contributed to a subsidiary of VFI and was consolidated in the financial statements of VFI.

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The World Vision national support entities that are not consolidated are separately incorporated nonprofit entities, whose primary purpose is to raise funds for WVI programs worldwide. WVI does not have control of these entities as defined by U.S. generally accepted accounting principles, and therefore, they are not consolidated in the accompanying consolidated financial statements.

Unconsolidated national support entities include the following:

World Vision Australia	World Vision Ireland	World Vision New Zealand
World Vision Austria	World Vision Italy [5]	World Vision Spain
World Vision Canada	World Vision Japan	World Vision Switzerland
World Vision Finland	World Vision Korea	World Vision Taiwan
World Vision France	World Vision Malaysia	World Vision United Kingdom
World Vision Germany	World Vision Netherlands	World Vision United States
World Vision Hong Kong		

(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. generally accepted accounting principles.

(b) Consolidation

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

One of the consolidated microfinance institutions is consolidated using financial information as of December 31, 2008 and 2007 (total net assets of $27,528 and $23,232, respectively).

(c) Fair Value of Financial Instruments

Due to the short-term nature of cash and cash equivalents, accounts and loans receivable, accounts payable, and accrued expenses, the reported carrying value approximates the fair value. Management believes the carrying value of notes payable approximates the fair value based on their assessment of terms and risks.

(d) Cash and Cash Equivalents

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

[5] During the year ended September 30, 2008, World Vision Italy was established.

(e) Concentration of Credit Risk

The Organization maintains certain cash accounts at various financial institutions in the United States of America and foreign countries. The total deposits at institutions in the United States of America at times exceed the amount covered by bank deposit insurance. Deposits held at institutions outside of the United States of America are not covered by 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.

(f) Investments

Investments are recorded at fair value and consist of auction rate securities, banking time deposits, certificates of deposits, commercial paper, government securities, and foreign corporate stocks. Although the current investment policy allows for investment of a single A rating (as defined by the majority of the three major rating agencies), management has elected to purchase investments only with an AA or better rating.

Gains and losses on investments are recorded as increases or decreases in unrestricted net assets unless their use is limited by donor-imposed restrictions.

(g) 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 by identifying troubled accounts, considering the debtor’s financial condition and current economic conditions, and using historical experience applied to an aging of the accounts and microfinance loans receivable. Recoveries of receivables previously expensed 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. Interest is accrued on microfinance loans receivable unless the receivables are deemed uncollectible. 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.

(h) Inventories

The Organization maintains an inventory of emergency relief supplies for disaster response, gifts-in-kind, food commodities held for monetization and distribution, and other materials for ministry purposes. Inventories are valued at the lower of cost or market for purchased inventory and at estimated fair value for contributed inventory. Cost is principally determined by average cost method applied to a physical inventory.

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(i) 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, and furniture and equipment are depreciated over 3 to 10 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 statement of activities.

Property 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.

(j) Investment in Captive Insurance Company

The Organization is part owner of a captive insurance company (the Captive), which reinsures some of the Organization’s own risk. The Captive is organized as an offshore entity, domiciled in Bermuda. The Captive’s board of directors includes a representative from each owner. Currently there are nine owners. The Captive derives its funds from the owners’ premiums, interest earned on premium and claim reserves, captured underwriting profit, as well as from the initial start-up capital (on the initial purchase of shares by the owners). The Captive reinsures the insurance carrier for the Organization’s own risk for workers’ compensation (domestic and foreign), general liability (domestic), and automobile liability and physical damage (domestic). With respect to the domestic coverage (workers compensation, general liability, and auto), the Captive retains the first $1,000 of risk with $250 held by the Captive and $750 held by the Captive’s subsidiary. With respect to the foreign coverage (workers compensation), the Captive retains the first $500 of risk with $250 held by the Captive and $250 held by the Captive’s subsidiary. Losses above $2,000 are covered through an umbrella policy held by the Organization outside of the Captive. The umbrella policy is capped at $20,000 in excess of the $2,000. The investment in the Captive (through the purchase of shares) is $790, and is accounted for on the costs basis and is included in other assets in the consolidated statement of financial position.

(k) 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.

(Continued)

(l) 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. 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, 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 are 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.

(m) 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, 2008 and 2007 are recorded in due from unconsolidated affiliates and detailed in note 4, Due from/to Unconsolidated Affiliates.

(n) Gifts-in-Kind

Gifts-in-kind received from unconsolidated national support entities are reported at estimated fair value on the date of receipt. Donations consist primarily of clothing, pharmaceuticals, commodities, and agricultural seeds. These goods are valued using guidelines published by the United States Department of Agriculture and in accordance with industry standards, referred to as the Interagency GIK Standards, as developed by an interagency taskforce appointed by the Association of Evangelical Relief and Development Organizations (AERDO). Gifts-in-kind are recognized in expenses when the goods are shipped for program use or beneficiary distribution.

(o) Other Revenue and Gains

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

(p) Foreign Exchange Currency Contracts

The Organization receives most of its funds from various affiliated (unconsolidated) support entities throughout the world (as discussed in note 10, Contributions and Gifts-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 market value at September 30, 2008 and 2007. Any unrealized gains or losses as of September 30, 2008 and 2007 are recognized in the consolidated statements of activities. Any realized gains or losses as of September 30, 2008 and 2007 are recognized in contributions revenue in the consolidated statement of activities. It is the Organization's general policy and practice to hold such contracts until maturity.

For the years ended September 30, 2008 and 2007, the Organization recorded unrealized losses of $7,732 and unrealized gains of $3,708, respectively, on FOREX contracts held.

At September 30, 2008 and 2007, the Organization had in place foreign currency contracts for purchases of U.S. dollars with notional amounts totaling $61,075 and $98,653, respectively, and sales of U.S. dollars for foreign currencies with notional amounts totaling $233,178 and $47,485, respectively.

(q) Functional Allocation of Expenses

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

(r) Administrative Costs

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

(s) Foreign Currency Translation Adjustments

The assets and liabilities of the foreign WVI branch offices, affiliated national World Vision entities, and MFIs are denominated in each country's local currency and translated into U.S. dollars at period-end exchange rates, where applicable. The accompanying consolidated statements of activities and consolidated statements of cash flows are translated using average exchange rates during the period. The resulting translation adjustment is recorded as supporting service expenses as a change in unrestricted net assets in the accompanying consolidated financial statements.

(t) 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.

(u) 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.

The foreign World Vision offices that are not WVI branch offices as listed in note 1, Organization, 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 statement of activities consist entirely of non-U.S. taxes related to the operations of the foreign consolidated entities.

Microfinance institutions are subject to their respective local tax laws, pursuant to which some are taxable and some are not. Taxes totaling $1,325 and $513 for the years ended September 30, 2008 and September 30, 2007, 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.

(v) Adoption of New Accounting Pronouncements

Effective September 30, 2007, the Organization adopted the recognition and disclosure provisions of Statement of Financial and Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158). SFAS 158 requires employers to recognize the funded status of defined benefit pension plans as a net asset or liability and recognize changes in that funded status in the year in which the changes occur. The funded status reported on the consolidated statement of financial position as of September 30, 2008 under SFAS 158 was measured as the difference between the fair value of plan assets and the benefit obligation. The Organization will adopt the measurement date provision effective September 30, 2009.

In August 2008, the Financial Accounting Standards Board (FASB) released FASB Staff Position 117–1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for all Endowment Funds* (FSP 117–1). This position is an update of Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*, relating to the treatment of permanently restricted net assets to be consistent with the Uniform Prudent Management of Institutions Funds Act of 2006 (UPMIFA) legislation. This position also provides disclosure about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The implementation date of FSP 117–1 is for fiscal years ending after December 15, 2008. The Organization is currently evaluating the effects of UPMIFA and the adoption of FSP 117-1.

(Amounts in thousands)

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 is effective for fiscal years beginning after November 15, 2007. This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Organization has not yet determined the impact adopting SFAS 157 might have on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—Including an amendment of FASB statement No. 115* (SFAS 159). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value. This statement is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. The Organization has not yet determined the impact adopting SFAS 159 might have on its consolidated financial statements.

(w) Reclassifications

Certain reclassifications have been made to the 2007 financial statement information to conform to the 2008 financial statement presentation. There was no impact on the previously reported changes in net assets of the Organization.

(3) Investments

The fair value of investments held at September 30, 2008 and 2007 is as follows:

		2008	2007
Certificates of deposit	$	11,394	13,457
Government securities		2,049	4,302
Auction rate securities		11,500	78,325
Foreign corporate stocks		304	—
Other short-term investments		7,542	7,035
	$	32,789	103,119

(Amounts in thousands)

Investment earnings for the years ended September 30, 2008 and 2007 consist of the following:

		2008	2007
Investment income	$	4,614	8,277
Unrealized and realized gains		382	537
Total	$	4,996	8,814

(4) Due from/to Unconsolidated Affiliates

Amounts due from/to unconsolidated affiliates represent short-term transactions relating to project commitments. Amounts due from/to unconsolidated affiliates at September 30, 2008 and 2007 are as follows:

		2008	2007
Due from unconsolidated affiliates:			
World Vision United States	$	130,447	114,178
World Vision Canada		12,823	10,887
World Vision Hong Kong		145	6,864
World Vision New Zealand		1,064	1,672
World Vision Taiwan		—	1,561
World Vision Netherlands		61	850
World Vision Japan		1,277	—
World Vision Switzerland		8	30
World Vision Italy		78	—
World Vision Spain		8	—
World Vision Korea		2,309	—
World Vision Austria		46	—
World Vision Australia		—	4
Total due from unconsolidated affiliates	$	148,266	136,046

		2008	2007
Due to unconsolidated affiliates:			
World Vision Germany	$	787	643
World Vision Canada		244	—
World Vision United States		10	—
Total due to unconsolidated affiliates	$	1,041	643

(Amounts in thousands)

(5) Microfinance Loans Receivable

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, 2008 and 2007 consist of the following:

		2008	2007
Microfinance loans receivable	$	393,653	289,055
Less loan loss allowance		(8,856)	(5,485)
Microfinance loans receivable, net	$	384,797	283,570

Microfinance loans receivable grew by 36% during the year ended September 30, 2008. This growth rate is representative of the fundamentals in the microfinance industry. Over the last five years, asset growth for all the microfinance institutions reporting to Microfinance Information Exchange has averaged 34% per year globally. This growth is fueled by the overall demand of the entrepreneurial poor. The Organization's higher growth as compared to the global average is due to the growth rate of its largest microfinance institutions, which have had better access to funding sources outside of the Organization.

Generally, the loans outstanding at September 30, 2008 and 2007 have the following statistics:

	2008	2007
Range of amount of loans receivable	less than $1 to $11	less than $1 to $10
Length of terms	1 to 47 months	2 to 42 months
Average maturities	16 months	14 months
Average interest rates	26%	25%

Interest rates on the outstanding loans vary by country due to varying inflation rates and operating environments.

Higher interest rates on the microfinance loans reflect two fundamental components of microfinance. Microfinance is extremely labor intensive, resulting in high costs. For an institution to be sustainable, it must charge interest rates that cover these costs. According to the publication *The MicroBanking Bulletin,* the global average interest rate on microloans is 29.9% for calendar year 2007 and 30.2% for calendar year 2006. Additionally, according to studies documented by the World Bank's Consultative Group to Assist the Poor (CGAP), poor entrepreneurs deploying new capital are able to achieve extremely high returns on investments ranging from 117% to 847%. The cost of borrowed funds is commensurate with the high returns.

(Amounts in thousands)

(6) Land, Buildings, and Equipment, net

Land, buildings, and equipment, net at September 30, 2008 and 2007 consist of the following:

		2008	2007
Land	$	7,870	5,379
Buildings and improvements		19,196	18,148
Furniture and equipment		9,935	4,741
Computers and software		13,745	12,233
Vehicles		7,737	6,140
Total land, buildings, and equipment		58,483	46,641
Less accumulated depreciation and amortization		(23,219)	(19,300)
Total land, buildings, and equipment, net	$	35,264	27,341

(7) 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, 2008 and 2007, a total of $244,709 and $159,933, respectively, in loans were outstanding. All of these loans were issued in relation to World Vision's microfinance activities. Interest rates generally range from 2% to 18%. During 2008, the Organization obtained $117,942 in notes payable from financial institutions to finance growth in its microfinance lending operations (note 5). Notes payable are scheduled for repayment as follows:

Fiscal year:		
2009	$	54,299
2010		81,264
2011		57,333
2012		31,194
2013		7,717
2014 and thereafter		12,902
Total	$	244,709

Notes payable are unsecured with the exception of a total of $11,548 and $6,445 at September 30, 2008 and 2007, respectively, in loans, which 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 $17,826 and $9,516 at September 30, 2008 and 2007, respectively, is recorded in the accompanying consolidated statements of activities as program expense.

(Continued)

(Amounts in thousands)

(8) 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.

(9) Net Assets

Consolidated net assets at September 30, 2008 are restricted or designated for the following purposes:

	Unrestricted	Temporarily restricted	Total
Contributions received restricted or designated for future program services	$ 94,712	572,560	667,272
Other designated amounts:			
Christian Endowment	14,033	—	14,033
Undesignated deficit	(16,200)	—	(16,200)
Represented by fixed assets and investments:			
Land, buildings, and equipment, net	35,264	—	35,264
Investment in captive insurance company	790	—	790
	$ 128,599	572,560	701,159

(Amounts in thousands)

Consolidated net assets at September 30, 2007 are restricted or designated for the following purposes:

		Unrestricted	Temporarily restricted	Total
Contributions received restricted or designated for future program services	$	84,062	412,327	496,389
Other designated amounts:				
Christian Endowment		13,658	—	13,658
Undesignated deficit		10,830	—	10,830
Represented by fixed assets and investments:				
Land, buildings, and equipment, net		27,341	—	27,341
Investment in captive insurance company		895	—	895
	$	136,786	412,327	549,113

(10) Contributions and Gifts-in-Kind Revenues

Contributions and gifts-in-kind revenues for the year ended September 30, 2008 are as follows:

		Unrestricted	Temporarily restricted	Total
Contributions:				
World Vision United States	$	48,842	350,605	399,447
World Vision Canada		16,433	166,919	183,352
World Vision Australia		13,363	159,698	173,061
World Vision Hong Kong		2,656	99,277	101,933
World Vision Germany		2,000	70,417	72,417
World Vision United Kingdom		7,061	60,991	68,052
World Vision Korea		1,324	44,137	45,461
World Vision Taiwan		2,369	37,562	39,931
World Vision New Zealand		1,736	32,185	33,921
World Vision Switzerland		1,293	24,855	26,148
World Vision Japan		1,243	20,775	22,018
World Vision Ireland		163	9,662	9,825
World Vision Finland		83	7,635	7,718
World Vision Netherlands		130	6,616	6,746
World Vision Malaysia		49	4,101	4,150
World Vision Austria		94	3,947	4,041

(Continued)

(Amounts in thousands)

		Unrestricted	Temporarily restricted	Total
World Vision Spain	$	—	3,333	3,333
World Vision France		—	2,566	2,566
World Vision Italy		—	240	240
Nonaffiliated entities		7,558	55,521	63,079
Subtotal		106,397	1,161,042	1,267,439
Gifts-in-kind:				
World Vision United States		—	328,819	328,819
World Vision Canada		—	98,223	98,223
World Vision Australia		—	31,918	31,918
World Vision United Kingdom		—	6,337	6,337
World Vision Korea		—	5,979	5,979
World Vision Hong Kong		—	5,784	5,784
World Vision Taiwan		—	4,935	4,935
World Vision Germany		—	4,306	4,306
World Vision New Zealand		—	2,200	2,200
World Vision Switzerland		—	1,620	1,620
World Vision Japan		—	1,282	1,282
World Vision Austria		—	253	253
Nonaffiliated entities		—	17,462	17,462
Subtotal		—	509,118	509,118
Total	$	106,397	1,670,160	1,776,557

(Continued)

(Amounts in thousands)

Contributions and gifts-in-kind revenues for the year ended September 30, 2007 are as follows:

	Unrestricted	Temporarily restricted	Total
Contributions:			
World Vision United States	$ 38,635	333,429	372,064
World Vision Canada	12,313	143,826	156,139
World Vision Australia	10,425	141,527	151,952
World Vision Germany	5,406	76,281	81,687
World Vision United Kingdom	5,832	71,804	77,636
World Vision Hong Kong	7,095	46,012	53,107
World Vision Korea	1,116	26,288	27,404
World Vision Taiwan	2,085	23,623	25,708
World Vision New Zealand	1,537	21,701	23,238
World Vision Switzerland	1,142	21,179	22,321
World Vision Japan	981	14,090	15,071
World Vision Ireland	128	8,415	8,543
World Vision Finland	65	5,582	5,647
World Vision Netherlands	101	4,519	4,620
World Vision Austria	74	3,874	3,948
World Vision Malaysia	43	2,797	2,840
World Vision Spain	—	1,796	1,796
World Vision France	—	1,428	1,428
Nonaffiliated entities	3,529	73,866	77,395
Subtotal	90,507	1,022,037	1,112,544
Gifts-in-kind:			
World Vision United States	—	254,601	254,601
World Vision Canada	—	82,267	82,267
World Vision Australia	—	76,326	76,326
World Vision Taiwan	—	14,721	14,721
World Vision Hong Kong	—	7,588	7,588
World Vision United Kingdom	—	7,059	7,059
World Vision Switzerland	—	4,583	4,583
World Vision Germany	—	4,110	4,110
World Vision New Zealand	—	2,762	2,762
World Vision Korea	—	2,566	2,566
World Vision Japan	—	2,056	2,056
World Vision Austria	—	246	246
Nonaffiliated entities	—	304	304
Subtotal	—	459,189	459,189
Total	$ 90,507	1,481,226	1,571,733

(Continued)

(Amounts in thousands)

(11) Retirement Plans

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 regular U.S. based employees. World Vision, Inc. acts as trustee of the assets of the Plan, which are held in trust. Under the Plan, an annual pay credit and interest credit is 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. The amount of employer contributions is determined based on actuarial valuations and recommendations as to the amounts required to fund benefits under this Plan.

World Vision, Inc. 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.

As discussed in note 2, effective September 30, 2007, World Vision, Inc. adopted the recognition and disclosure provisions of SFAS 158. The following table shows the incremental effects of applying SFAS 158 on individual line items in the statement of financial position at September 30, 2007.

	Before Application of SFAS 158	Adjustments	After Application of SFAS 158
Prepaid pension asset	$ 1,862	123	1,985
Unrestricted net assets	136,663	123	136,786

The following table presents information on Plan asset allocations by asset category for both organizations at September 30, 2008 and 2007, respectively:

	2008	2007
Mutual funds	83.3%	83.5%
Equity funds	9.6	10.7
Notes receivable	2.3	2.7
Corporate bonds	1.6	1.3
Real estate investment trusts	0.1	0.2
Other assets	2.8	1.5
Cash and cash equivalents	0.3	0.1
	100.0%	100.0%

(Amounts in thousands)

The following table provides a reconciliation of benefit obligations, Plan assets, and funded status for WVI only for the years ended September 30, 2008 and 2007. The measurement date for the information included in the following table is June 30:

		2008	2007
Change in benefit obligation:			
Projected benefit obligation at beginning of year	$	16,959	15,806
Service cost		1,150	1,104
Interest cost		1,455	1,414
Changes in assumptions		(2,837)	(535)
Actuarial loss		290	685
Benefits paid		(1,374)	(1,515)
Benefit obligation at end of year	$	15,643	16,959

		2008	2007
Accumulated benefit obligation at end of year	$	13,607	14,650
Change in Plan assets:			
Plan assets at fair value at beginning of year	$	18,944	16,323
Actual return on Plan assets		(4,472)	2,636
Employer contributions		1,500	1,500
Benefits paid		(1,374)	(1,515)
Plan assets at fair value at end of year	$	14,598	18,944
Funded Status		(1,045)	1,985
Amounts recognized in the Statement of Financial Position consist of:			
Funded status assets	$	—	1,985
Funded status liability		(1,045)	—
Total amount recognized	$	(1,045)	1,985
Amounts recognized in unrestricted net assets under SFAS 158 consist of pension plan adjustment	$	(3,657)	123

(Amounts in thousands)

Net periodic benefit cost for WVI includes the following components for the years ended September 30, 2008 and 2007:

		2008	**2007**
Service cost	$	1,150	1,104
Interest cost		1,455	1,414
Expected return on plan assets		(1,855)	(1,676)
Amortization of prior service cost		—	(3)
	$	750	839

Estimated Future Payments

WVI's contribution to the Plan for the year ended September 30, 2009 is expected to be $1,500. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by WVI:

2008 – 09	$	2,968
2009 – 10		1,358
2010 – 11		1,593
2011 – 12		1,593
2012 – 13		4,569
2014 – 2018		8,059
Total	$	20,140

The following table sets forth the weighted average actuarial assumptions related to the Plan. Assumptions as of June 30, 2008 and 2007:

	2008	**2007**
Discount rate	6.75%	6.25%
Expected return on plan assets	7.00	7.00
Rate of compensation increase	5.00	5.00

The expected long-term rate of return on assets assumption is developed based on the asset allocation model used in the organization's investment strategy and consideration of historical returns and current risk of asset classes. Each year, World Vision, Inc. determines the discount rate as of the measurement date based on a review of interest rates associated with long-term high quality debt instruments. The rate is based on management's understanding of the current economic environment and the Plan's expected future benefit payments.

(Continued)

In addition, WVI also has an international defined contribution plan covering substantially all non-U.S. citizens/nonresident expatriate and contract employees not included in the above Plan. Total contributions to this plan by WVI for the years ended September 30, 2008 and 2007 was $1,781 and $1,623, respectively.