WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Financial Statements

September 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Directors
World Vision International:

We have audited the accompanying consolidated financial statements of World Vision International and consolidated affiliates, which comprise the consolidated statements of financial position as of September 30, 2018 and 2017, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the 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 audits 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 consolidated financial position of World Vision International and consolidated affiliates as of September 30, 2018 and 2017, 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

Seattle, Washington
May 20, 2019

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Financial Position

September 30, 2018 and 2017

(Amounts in thousands)

Assets		2018	2017
Cash and cash equivalents	$	494,257	398,097
Investments (note 4)		97,044	91,628
Due from unconsolidated affiliates (note 5)		10,019	8,855
Accounts receivable		30,998	20,055
Microfinance loans receivable, net (notes 6 and 17)		367,727	410,197
Inventories		56,724	52,506
Prepaid expenses		36,088	29,410
Land, buildings and equipment, net (note 7)		71,526	79,599
Foreign exchange contracts (notes 4 and 8)		21,788	11,648
Other assets		24,719	20,405
Assets of subsidiary held for sale (note 15)		—	190,899
Total assets	$	1,210,890	1,313,299
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	123,896	114,277
Accrued expenses		83,513	90,827
Deposits from microfinance institution clients		43,354	32,892
Due to unconsolidated affiliates (note 5)		12,072	8,258
Notes payable (note 9)		264,196	298,179
Foreign exchange contracts (notes 4 and 8)		8,402	20,696
Other liabilities		20,474	24,855
Liabilities of subsidiary held for sale (note 15)		—	157,073
Total liabilities		555,907	747,057
Net assets (notes 10 and 11):			
Unrestricted:			
Noncontrolling financial interest in subsidiaries		—	(11,165)
Other unrestricted		388,513	324,078
Total unrestricted net assets		388,513	312,913
Temporarily restricted		266,470	253,329
Total net assets		654,983	566,242
Total liabilities and net assets	$	1,210,890	1,313,299

See accompanying notes to consolidated financial statements.

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Activities

Year ended September 30, 2018

(Amounts in thousands)

	Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support from donors (note 12):			
Contributions	$ 144,244	1,409,659	1,553,903
Gifts-in-kind	—	389,755	389,755
Net assets released from restrictions	1,786,273	(1,786,273)	—
Total revenues from donors	1,930,517	13,141	1,943,658
Other revenue and gains	193,839	—	193,839
Change in cumulative unrealized gain on foreign exchange contracts (note 8)	22,435	—	22,435
Total revenues, gains, and other support	2,146,791	13,141	2,159,932
Expenses:			
Program services:			
International relief and community development	1,779,597	—	1,779,597
Microenterprise development	166,763	—	166,763
Program support services	61,730	—	61,730
Total program services	2,008,090	—	2,008,090
Administrative costs:			
Supporting services	65,221	—	65,221
Fund-raising	23,444	—	23,444
Total administrative costs	88,665	—	88,665
Total expenses	2,096,755	—	2,096,755
Change in net assets before other gains and losses	50,036	13,141	63,177
Other gains and losses:			
Pension actuarial gain (note 13)	3,083	—	3,083
Net loss on deconsolidation (notes 16 and 17)	(18,310)	—	(18,310)
Gain on sale of subsidiary (note 15)	38,696	—	38,696
Change in net assets before discontinued operations	73,505	13,141	86,646
Net income from discontinued operations (note 15)	2,095	—	2,095
Change in net assets	75,600	13,141	88,741
Net assets at beginning of year	312,913	253,329	566,242
Net assets at end of year	$ 388,513	266,470	654,983

See accompanying notes to consolidated financial statements.

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Activities

Year ended September 30, 2017

(Amounts in thousands)

		Unrestricted	Temporarily restricted	Total
Revenues, gains, and other support from donors (note 12):				
Contributions	$	149,466	1,393,923	1,543,389
Gifts-in-kind		—	402,180	402,180
Net assets released from restrictions		1,827,945	(1,827,945)	—
Total revenues from donors		1,977,411	(31,842)	1,945,569
Other revenue and gains		186,589	—	186,589
Change in cumulative unrealized loss on foreign exchange contracts (note 8)		(4,151)	—	(4,151)
Total revenues, gains, and other support		2,159,849	(31,842)	2,128,007
Expenses:				
Program services:				
International relief and community development		1,825,389	—	1,825,389
Microenterprise development		147,857	—	147,857
Program support services		61,847	—	61,847
Total program services		2,035,093	—	2,035,093
Administrative costs:				
Supporting services		72,243	—	72,243
Fund-raising		22,001	—	22,001
Total administrative costs		94,244	—	94,244
Total expenses		2,129,337	—	2,129,337
Change in net assets before other gains and losses		30,512	(31,842)	(1,330)
Other gains and losses:				
Pension actuarial gain (note 13)		3,844	—	3,844
Change in net assets before discontinued operations		34,356	(31,842)	2,514
Net income from discontinued operations (note 15)		3,550	—	3,550
Change in net assets		37,906	(31,842)	6,064
Net assets at beginning of year		275,007	285,171	560,178
Net assets at end of year	$	312,913	253,329	566,242

See accompanying notes to consolidated financial statements.

WORLD VISION INTERNATIONAL
AND CONSOLIDATED AFFILIATES

Consolidated Statements of Cash Flows

Years ended September 30, 2018 and 2017

(Amounts in thousands)

		2018	2017
Cash flows from operating activities:			
Change in net assets	$	88,741	6,064
Change in net assets from discontinued operations		(2,095)	(3,550)
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Loss on sale of subsidiary		(38,696)	—
Noncash changes in net assets from deconsolidation of subsidiary		323	—
Pension actuarial gain		(3,083)	(3,844)
Gifts-in-kind, net		(4,218)	48,466
Unrealized and realized (gain) loss on investments		(8)	1,296
Change in cumulative unrealized loss on foreign exchange contracts		(22,435)	4,151
Depreciation and amortization		12,828	12,867
Provision for loan losses		11,125	6,990
Foreign currency revaluation		22,613	(1,015)
Loss on disposal of equipment		177	2,012
Changes in assets and liabilities:			
Accounts receivable		(11,725)	(10,397)
Due from/to unconsolidated affiliates		2,650	3,627
Prepaid expenses		(6,678)	2,772
Other assets		(5,070)	(4,080)
Accounts payable and accrued expenses		10,346	21,694
Other liabilities		(4,381)	4,856
Net cash provided by operating activities - continuing operations		50,414	91,909
Net cash provided by operating activities - discontinued operations		4,843	11,511
Net cash provided by operating activities		55,257	103,420
Cash flows from investing activities:			
Purchases of investments		(60,464)	(78,387)
Proceeds from sales and maturities of investments		54,989	60,916
Proceeds from repayment of microfinance loans		564,628	570,346
Issuance of microfinance loans		(638,739)	(638,848)
Purchase of land, buildings, and equipment		(8,924)	(11,116)
Proceeds from sale of equipment		234	830
Proceeds from sale of subsidiary, net of cash at subsidiary		53,803	—
Taxes and settlement costs from sale of subsidiary		(2,650)	—
Net cash used in investing activities - continuing operations		(37,123)	(96,259)
Net cash used in investing activities - discontinued operations		(12,400)	(22,408)
Net cash used in investing activities		(49,523)	(118,667)
Cash flows from financing activities:			
Payments on notes payable		(74,489)	(84,458)
Proceeds received on notes payable		121,647	159,491
Deposits from microfinance institution clients		10,462	9,998
Net cash provided by financing activities - continuing operations		57,620	85,031
Net cash provided by financing activities - discontinued operations		8,518	18,952
Net cash provided by financing activities		66,138	103,983
Net increase in cash and cash equivalents		71,872	88,736
Cash and cash equivalents, including amount reported within discontinued operations, beginning of year		422,385	333,649
Less cash and cash equivalents of discontinued operations, end of year		—	(24,288)
Cash and cash equivalents of continuing operations, end of year	$	494,257	398,097
Supplemental cash flow disclosures:			
Cash paid during the year for interest	$	27,642	27,987
Cash paid during the year for taxes		1,890	2,317

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 organized exclusively for purposes which are both religious and charitable, namely to witness to Jesus Christ by life, deed, word and sign by rendering holistic Christian service throughout the world among the poor without regard to race, color, creed or sex.

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 (except for the microfinance entities) 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 – Raise funds to support the Partnership's programs outside of their home countries, provide technical and other forms of support, and in many cases assume contractual liability for the programs they fund. Some also perform relief or development programs within their own countries. Most of the Support Offices are not consolidated into these financial statements. Refer to note 1 for affiliates WVI elects to consolidate or is required to consolidate.

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 all MFIs affiliated with World Vision.

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
- Americas Shared Service Center
- Angola
- Armenia
- Azerbaijan
- Bangladesh
- Bosnia-Herzegovina
- Burundi
- Cambodia
- Central African Republic
- Chad
- Chile
- China
- Colombia
- Congo – Democratic Republic of
- Dominican Republic
- East Timor
- Ethiopia
- Georgia
- Haiti
- Iraq
- Jordan
- Kosovo
- Laos
- Lebanon
- Lesotho
- Mali
- Mauritania
- Mongolia
- Mozambique
- Myanmar
- Nepal
- Nicaragua
- Niger
- North Korea
- Pakistan
- Rwanda
- Senegal
- Sierra Leone
- Somalia
- South Sudan
- Sudan
- Turkey
- Vietnam
- Zimbabwe

Regional offices:

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

International offices:
- Dubai
- Geneva
- Gibraltar
- Johannesburg
- Kuala Lumpur
- London
- Los Angeles
- Manila
- New York

Support offices:
- Singapore

Microfinance programs:

Name	Country
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 (U.S. GAAP):

Ministry offices:
- Albania
- Bolivia
- Costa Rica
- Ecuador
- Ghana
- Jerusalem West Bank Gaza
- Malawi
- Papua New Guinea
- Solomon Islands
- Vanuatu

International offices:
- Geneva

Support offices:
- Spain

VisionFund International (VFI)

Microfinance Institutions (consolidated by VFI):

Name	Country
SEF International Universal Credit Organization LLC	Armenia
VisionFund Azercredit LLC (note 16)	Azerbaijan
VisionFund Cambodia Ltd. (VF Cambodia) (note 15)	Cambodia
VisionFund DRC S.A.	Congo – Democratic Republic of
VisionFund Republica Dominicana SAS	Dominican Republic
Banco VisionFund Ecuador S.A.	Ecuador
VisionFund Ghana Money Lending Ltd.	Ghana
VisionFund Guatemala, S.A.	Guatemala
FUNED VisionFud OPDF	Honduras
VisionFund Kenya Ltd.	Kenya
VisionFund Ltd.	Malawi
Vision F Mexico, S.A. de C.V., SOFOM, E.N.R.	Mexico
VisionFund NBFI LLC	Mongolia
MFI Monte Credit LLC	Montenegro
VisionFund AgroInvest LLC	Montenegro
VisionFund Myanmar Company Limited	Myanmar
EDPYME Credivision S.A.	Peru
VisionFund Rwanda Ltd.	Rwanda
VisionFund Sénégal Microfinance SA	Senegal
AgroInvest Fond LLC	Serbia
AgroInvest Foundation Serbia	Serbia
VisionFund Holdings (Private) Ltd.	Sri Lanka
VisionFund Lanka Ltd.	Sri Lanka
VisionFund Tanzania Microfinance Bank Limited	Tanzania
VisionFund Uganda Ltd.	Uganda
VisionFund Zambia Ltd.	Zambia

(Continued)

Microfinance Institutions (not consolidated by VFI):

Name	Country
Fundación Boliviana para el Desarrollo Institución Financiera de Desarrollo	Bolivia
Micro Credit Organization 'EKI' Sarajevo (note 17)	Bosnia
Agencia Nacional de Desenvolvimento Microempresarial	Brazil
Fondo de Inversions para el Desarrollo de la Microempresa	Dominican Republic
Fundación Salvadoreña para El Desarrollo	El Salvador
VisionFund Microfinance 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 Revenue	Mali
Fundación Realidad, A.C.	Mexico
AgroInvest NVO Podgorica	Montenegro
Fundacion 4i-2000	Nicaragua
Entidad de Desarrollo de la Pequeña y Micro Empresa Credivison	Peru
Community Economic Ventures, Inc.	Philippines
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 under the relevant accounting standards are not 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	Philippines
El Salvador	Romania
Guatemala	South Africa
Honduras	Sri Lanka
India	Swaziland
Indonesia	Tanzania
Kenya	Thailand
Mexico	Uganda
Peru	Zambia

Affiliates which are not consolidated – Separate affiliated entities, which under the relevant accounting standards are not owned or controlled by WVI, and which WVI is not required to consolidate:

Support offices:

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

(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) 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.

(d) 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 for domestically held securities is to purchase investments with a credit rating of A or better. Other investments are held locally at ministry offices around the world. Ministry offices have similar credit quality policies and these investments are designed to preserve capital. Gains and losses on investments are recorded to other revenue and gains in the consolidated statements of activities.

(e) 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.

(f) 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. Purchased inventory is stated at the lower of cost or net realizable value. Cost is principally determined by an average-cost method applied to a physical inventory. Donated inventory is recorded at the estimated fair value at the time of donation.

(g) 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, computers and software 2 to 10 years, and vehicles 5 years. Due to the conditions associated with the Organization operating across the world, equipment purchased for projects at the Ministry Offices is expensed in the year of acquisition. 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.

(h) Self-Insurance

The Organization is self-insured for certain 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.

(i) Contribution Revenue Recognition

WVI receives unconditional promises to give funds from unconsolidated 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, 2018 and 2017 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.

(j) Gifts-in-Kind

Gifts-in-kind (GIK) received through private donations are recorded in accordance with U.S. GAAP and industry standards, referred to as the Interagency GIK Standards, as developed by an interagency task force appointed by Accord Network. Accord Network is an industry network which collaborates to eliminate poverty and establish common reporting and operating principles. GIK are valued and recorded as revenue at their estimated fair value based upon the Organization’s estimate of the wholesale values that, would be received for selling the goods in their principal exit markets considering the goods condition and utility for use at the time of contribution. The Organization does not sell donated GIK and only distributes the goods for program use.

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

(Continued)

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

GIK expense is recorded when the goods are distributed for program use. While it is the Organization's policy to distribute GIK as promptly as possible, undistributed GIK is recorded as inventory.

(k) Other Revenue and Gains

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

(l) 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.

(m) 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.

(n) 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.

(o) 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. Material estimates relate primarily to the determination of the allowance for loan losses and the valuation of GIK.

(p) Recent Accounting Pronouncements

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this ASU are intended to improve financial statement presentation by not-for-profit (NFP) organizations. The new guidance requires NFPs to improve their presentation and disclosures to provide more relevant information about their resources (and the changes in those resources) to their donors, grantors, creditors, and other users. There are qualitative and quantitative requirements in a number of areas, including net asset classes, investment return, expenses, liquidity and availability of resources, and presentation of operating cash flows. ASU No. 2016-14 will become effective for financial statements issued for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the effect of adoption to the financial statements.

(q) Reclassifications

Certain reclassifications have been made to 2017 amounts to conform to the 2018 presentation.

(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.

(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.

(Continued)

(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, 2018 or 2017.

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 $2,329 and $3,034, for the years ended September 30, 2018 and 2017, 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.

(Continued)

(Amounts in thousands)

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 for that asset.

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2018:

		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:				
Investments:				
Certificates of deposit	$	63,683	—	63,683
Domestic government securities		2,999	—	2,999
Foreign government securities		5,148	—	5,148
Mutual funds and other		14,856	14,856	—
Domestic corporate debt		10,358	—	10,358
Total investments	$	97,044	14,856	82,188
Foreign exchange currency contracts	$	21,788	—	21,788
Liabilities:				
Foreign exchange currency contracts	$	8,402	—	8,402

(Amounts in thousands)

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2017:

		Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)
Assets:				
Investments:				
Certificates of deposit	$	63,533	—	63,533
Domestic government securities		6,015	—	6,015
Foreign government securities		3,520	—	3,520
Mutual funds and other		8,399	8,399	—
Domestic corporate debt		10,161	—	10,161
Total investments	$	91,628	8,399	83,229
Foreign exchange currency contracts	$	11,648	—	11,648
Liabilities:				
Foreign exchange currency contracts	$	20,696	—	20,696

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 and debt securities held at the Global Center. 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 arise from short-term transactions relating to project commitments and investments held for unconsolidated affiliates. Amounts due from/to unconsolidated affiliates at September 30, 2018 and 2017 are as follows:

		2018	2017
Due from unconsolidated affiliates:			
World Vision Korea	$	7,162	—
World Vision Canada		1,646	1,845
World Vision Taiwan		646	4,171
World Vision Ireland		329	2,350
World Vision Australia		95	—
World Vision Italy		63	60
World Vision Austria		63	54
World Vision Switzerland		15	—
World Vision France		—	229
World Vision Germany		—	146
Total due from unconsolidated affiliates	$	10,019	8,855

		2018	2017
Due to unconsolidated affiliates:			
World Vision United States	$	12,072	8,150
World Vision Germany		—	108
Total due to unconsolidated affiliates	$	12,072	8,258

(6) Microfinance Loans Receivable

The Organization operates microenterprise development activities in many countries primarily through MFIs. 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.

(Continued)

(Amounts in thousands)

Microfinance loans receivable, net at September 30, 2018 and 2017, consist of the following:

		2018	2017
Microfinance loans receivable, gross	$	380,946	421,956
Less loan loss allowance		(13,219)	(11,759)
Microfinance loans receivable, net	$	367,727	410,197

The average loan amount varies by country from less than three hundred dollars to six thousand dollars. The average loan terms commonly range from 4 to 26 months with a weighted average maturity of approximately 16 months.

Interest rates on the outstanding loans vary by country due to varying inflation rates and operating environments. For the years ended September 2018 and 2017, the weighted average annual interest rates charged was 30% and 33%, respectively. In 2018, the average loan portfolio for the Organization’s consolidated MFIs was $14,109 with the largest consolidated MFI loan portfolio being $60,858.

Loans to MFI clients were concentrated in the following regions as of September 30, 2018 and 2017:

Region of operations		2018	2017
Asia/Pacific	$	78,293	77,901
Latin America/Caribbean		162,188	136,607
Middle East/Eastern Europe		34,920	116,501
Africa		105,545	90,947
Total	$	380,946	421,956

An aging analysis of microfinance loans receivable at September 30, 2018 and 2017 is as follows:

		2018	2017
Current or less than 30 days past due	$	366,240	409,116
31–60 days past due		2,625	2,397
61–90 days past due		2,022	1,627
91 days or more past due		10,059	8,816
	$	380,946	421,956

The Organization generally evaluates credit quality based on the aging of loans and considers loans over 91 days as impaired. Loans are evaluated collectively for impairment.

(Amounts in thousands)

Changes in the allowance for loan losses for the years ended September 30, 2018 and 2017 are as follows:

Allowance for loan loss		2018	2017
Beginning of year	$	11,759	35,456
Loans written off		(8,811)	(29,379)
Provision for loan loss		11,125	6,990
Currency valuation change		(854)	(1,308)
End of year	$	13,219	11,759

In the years ended September 30, 2018 and 2017, funds recovered from loans written off totaled $2,451 and $2,246, respectively. These amounts are included within other revenue and gains on the accompanying consolidated statements of activities. As of September 30, 2018, based on historical loan performance and aging analysis, the risks related to losses on the loan portfolio are limited and are sufficiently covered by the allowance for loan losses.

(7) Land, Buildings and Equipment, Net

Land, buildings and equipment, net at September 30, 2018 and 2017 consists of the following:

		2018	2017
Land	$	17,547	16,193
Buildings and improvements		46,561	47,695
Computers and software		60,918	61,205
Vehicles		7,682	10,062
Furniture and other equipment		9,112	10,112
Total land, buildings and equipment		141,820	145,267
Less accumulated depreciation		(70,294)	(65,668)
Total land, buildings and equipment, net	$	71,526	79,599

Depreciation and amortization expense for the years ended September 30, 2018 and 2017 was $12,828 and $12,867, respectively.

(Continued)

(Amounts in thousands)

(8) Foreign Exchange Contracts

The Organization receives most of its funds from unconsolidated Support Offices throughout the world (as discussed in note 12, *Contributions and Gift-in-Kind Revenue*). Planned fundings are made annually by the Organization to Ministry Offices and MFIs 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, 2018 and 2017. Any unrealized gains or losses as of September 30, 2018 and 2017 are recognized in the consolidated statements of activities. Any realized gains or losses as of September 30, 2018 and 2017 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, 2018 and 2017, the Organization recorded a change in cumulative unrealized gains of $22,435 and losses of $4,151, respectively, on FOREX contracts held.

At September 30, 2018 and 2017, the Organization had in place foreign currency contracts for purchases of U.S. dollars with notional amounts totaling $717,352 and $632,646, respectively, and sales of U.S. dollars for foreign currencies with notional amounts totaling $239,930 and $210,442, respectively. At September 30, 2018 and 2017, the fair values of FOREX contracts held recognized in the consolidated statements of financial position are assets of $21,788 and $11,648 and liabilities of $8,402 and $20,696, respectively.

(9) Notes Payable

Notes payable represent amounts received from various foundations, individuals, unconsolidated Support Offices, and banking organizations, which extended loans to the Organization to provide funding for its activities. At September 30, 2018 and 2017, a total of $264,196 and $298,179, respectively, in loans was outstanding. All of these loans were issued in relation to World Vision's microfinance activities. Interest rates generally range from 0% to over 15%. These loans are scheduled for repayment as follows:

Fiscal year:		
2019	$	103,213
2020		85,187
2021		36,845
2022		12,792
2023		23,975
2024 and thereafter		2,184
Total	$	264,196

(Amounts in thousands)

Notes payable are unsecured with the exception of aggregate loans of $26,210 and $57,123 at September 30, 2018 and 2017, respectively, in loans that have been guaranteed by the assets of MFIs. Each of these collateral agreements represents a first priority guarantee on the assets of a particular MFI. Interest expense totaling $26,615 and $24,810 for the years ended September 30, 2018 and 2017, respectively, is recorded in the consolidated statements of activities as microenterprise development program services expense.

(10) Net Assets

Consolidated net assets at September 30, 2018 are restricted or designated for the following purposes:

	Unrestricted	Temporarily restricted	Total
Contributions received designated for future program services	$ 294,268	—	294,268
Contributions of gifts-in-kind restricted for international programs	—	56,724	56,724
Contributions received restricted for international relief and community development	—	209,746	209,746
Other designated amounts:			
Christian endowment	14,234	—	14,234
Unrealized loss on foreign exchange contracts	13,386	—	13,386
Undesignated deficit	(5,591)	—	(5,591)
Represented by noncontrolling financial interest in subsidiaries	—	—	—
Represented by fixed assets and investments:			
Land, buildings, and equipment, net	71,526	—	71,526
Investment in captive insurance company	690	—	690
	$ 388,513	266,470	654,983

(Amounts in thousands)

Consolidated net assets at September 30, 2017 are restricted or designated for the following purposes:

		Unrestricted	Temporarily restricted	Total
Contributions received designated for future program services	$	255,630	—	255,630
Contributions of gifts-in-kind restricted for international programs		—	52,506	52,506
Contributions received restricted for international relief and community development		—	200,823	200,823
Other designated amounts:				
Christian endowment		14,045	—	14,045
Unrealized loss on foreign exchange contracts		(9,048)	—	(9,048)
Undesignated deficit		(16,838)	—	(16,838)
Represented by noncontrolling financial interest in subsidiaries		(11,165)	—	(11,165)
Represented by fixed assets and investments:				
Land, buildings, and equipment, net		79,599	—	79,599
Investment in captive insurance company		690	—	690
	$	312,913	253,329	566,242

(Continued)

(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. The following table provides the endowment activity for 2017 and 2018:

Balance, September 30, 2016	$	13,584
Net investment return		550
Appropriated expenditures		(89)
Balance, September 30, 2017		14,045
Net investment return		560
Appropriated expenditures		(371)
Balance, September 30, 2018	$	14,234

(12) Contributions and Gift-in-Kind Revenue

Contributions and gift-in-kind revenues for the year ended September 30, 2018 are from the following:

		Unrestricted	Temporarily restricted	Total
Contributions:				
World Vision United States	$	52,248	484,760	537,008
World Vision Canada		20,991	151,321	172,312
World Vision Australia		19,124	135,098	154,222
World Vision Korea		9,998	92,991	102,989
World Vision Hong Kong		6,719	89,682	96,401
World Vision Germany		822	87,334	88,156
World Vision United Kingdom		6,792	52,411	59,203
World Vision Taiwan		4,824	54,103	58,927
World Vision Japan		2,745	31,422	34,167
World Vision New Zealand		2,792	23,588	26,380
World Vision Switzerland		3,214	15,552	18,766
World Vision Netherlands		295	11,474	11,769

WORLD VISION INTERNATIONAL
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Notes to Consolidated Financial Statements

September 30, 2018 and 2017

(Amounts in thousands)

		Unrestricted	Temporarily restricted	Total
World Vision Malaysia	$	308	10,812	11,120
World Vision France		102	8,447	8,549
World Vision Ireland		301	7,739	8,040
World Vision Finland		406	6,807	7,213
World Vision Austria		73	7,094	7,167
World Vision Italy		18	402	420
Contributions received from nonaffiliated sources through:				
World Vision Singapore		—	13,388	13,388
World Vision Spain		—	5,572	5,572
Other subsidiaries		12,472	119,662	132,134
Subtotal		144,244	1,409,659	1,553,903
Gift-in-kind:				
World Vision United States		—	144,398	144,398
World Vision Canada		—	108,027	108,027
World Vision Australia		—	45,092	45,092
World Vision Taiwan		—	15,634	15,634
World Vision Hong Kong		—	13,604	13,604
World Vision Germany		—	12,185	12,185
World Vision Korea		—	9,620	9,620
World Vision New Zealand		—	9,547	9,547
World Vision United Kingdom		—	8,467	8,467
World Vision Japan		—	2,411	2,411
World Vision Austria		—	2,398	2,398
World Vision Switzerland		—	1,391	1,391
World Vision Ireland		—	203	203
World Vision Netherlands		—	2	2
Gift-in-kind received from nonaffiliated sources through:				
Other subsidiaries		—	16,776	16,776
Subtotal		—	389,755	389,755
Total	$	144,244	1,799,414	1,943,658

(Continued)

(Amounts in thousands)

Contributions and gift-in-kind revenues for the year ended September 30, 2017 are from the following:

	Unrestricted	Temporarily restricted	Total
Contributions:			
World Vision United States	$ 54,248	455,311	509,559
World Vision Australia	20,635	150,572	171,207
World Vision Canada	22,034	134,206	156,240
World Vision Korea	9,992	96,794	106,786
World Vision Hong Kong	6,716	90,395	97,111
World Vision Germany	7,204	79,867	87,071
World Vision United Kingdom	7,338	63,490	70,828
World Vision Taiwan	4,821	56,344	61,165
World Vision Japan	2,744	30,017	32,761
World Vision New Zealand	2,791	22,931	25,722
World Vision Switzerland	3,308	18,169	21,477
World Vision Netherlands	295	14,190	14,485
World Vision Malaysia	408	9,445	9,853
World Vision Finland	406	6,380	6,786
World Vision Ireland	300	6,440	6,740
World Vision Austria	73	6,344	6,417
World Vision France	102	6,082	6,184
World Vision Italy	18	514	532
Contributions received from nonaffiliated sources through:			
World Vision Singapore	—	13,249	13,249
World Vision Spain	—	4,474	4,474
Other subsidiaries	6,033	128,709	134,742
Subtotal	149,466	1,393,923	1,543,389
Gift-in-kind:			
World Vision United States	—	176,688	176,688
World Vision Canada	—	79,173	79,173
World Vision Australia	—	37,496	37,496
World Vision Taiwan	—	25,066	25,066
World Vision United Kingdom	—	20,467	20,467
World Vision Switzerland	—	10,703	10,703
World Vision Hong Kong	—	8,964	8,964
World Vision Germany	—	8,271	8,271

(Continued)

(Amounts in thousands)

		Unrestricted	Temporarily restricted	Total
World Vision Korea	$	—	7,775	7,775
World Vision New Zealand		—	6,741	6,741
World Vision Austria		—	3,446	3,446
World Vision Japan		—	2,715	2,715
World Vision Netherlands		—	849	849
World Vision Italy		—	272	272
World Vision France		—	64	64
Gift-in-kind received from nonaffiliated sources through:				
Other subsidiaries		—	13,490	13,490
Subtotal		—	402,180	402,180
Total	$	149,466	1,796,103	1,945,569

(13) Retirement Plans

World Vision International has an international defined contribution plan covering substantially all non-U.S. non-U.K. citizens on an International Assignment (outside their home country) who are not included in the noncontributory Cash Balance Retirement Plan referred to below. Total contributions to this plan for the years ended September 30, 2018 and 2017 were $1,934 and $1,867, 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) for substantially all regular-full time WVI staff working in the U.S. or who are U.S. taxpayers. The assets of the Plan are held in trust by an external trustee. Under the Plan, an annual pay credit and interest credit are added to a participant’s balance 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 currently is established as the 30-year US Treasury rate. The amount of employer contributions is determined based on actuarial valuations and recommendations as to the amounts required to fund benefits under this Plan. Effective September 30, 2018, the Plan was frozen and no additional pay credits will be earned after that date.

WVI and World Vision, Inc. established a grandfathered minimum guaranteed benefit provision for participants covered under the prior plan at September 1, 1998. Upon withdrawing from the Plan, those participants will receive the greater of the minimum guaranteed benefit or the accrued benefit under the Cash Balance Plan. Participants that have terminated prior to January 1, 1999, are only covered by the grandfathered benefit and can only be paid out with a normal monthly pension. Effective September 30, 2018, this grandfathered plan also was frozen and no additional pay or service credits will be earned after that date.

(Continued)

(Amounts in thousands)

The following table sets forth the actuarial assumptions related to the Plan. Assumptions as of September 30, 2018 and 2017 are as follows:

	2018	2017
Discount rate	3.85 %	3.25 %
Expected return on plan assets	6.50	6.50
Rate of compensation increase	N/A	3.50

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 Retirement Investment Committee assumes will be earned over the life of the pension assets. Management believes the assumed rate is appropriate 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, 2018 and 2017:

	2018		2017	
	WVI	**Total plan**	**WVI**	**Total plan**
Change in benefit obligations:				
Projected benefit obligations at beginning of year	$ 42,945	135,132	46,082	139,347
Service cost	1,927	6,671	2,360	7,510
Interest cost	1,186	4,107	1,145	3,725
Curtailments	(2,825)	(9,774)	—	—
Changes in assumptions	(4,585)	(6,688)	(1,506)	(4,541)
Actuarial loss (gain)	589	2,039	(744)	(2,342)
Benefits paid	(3,570)	(8,070)	(4,331)	(8,374)
Expenses paid	(48)	(167)	(61)	(193)
Projected benefit obligations at end of year	$ 35,619	123,250	42,945	135,132
Accumulated benefit obligations at end of year	$ 35,619	123,250	39,499	124,287

(Amounts in thousands)

		2018		2017	
		WVI	**Total plan**	**WVI**	**Total plan**
Change in plan assets:					
Plan assets at fair value at beginning of year	$	42,658	134,230	42,996	130,017
Actual return on plan assets		1,082	3,744	3,553	11,180
Employer contributions		—	—	534	1,600
Benefits paid		(3,570)	(8,070)	(4,331)	(8,374)
Expenses paid		(48)	(167)	(61)	(193)
Changes in assumptions		(2,628)	—	(33)	—
Plan assets at fair value at end of year	$	37,494	129,737	42,658	134,230
Funded status	$	1,875	6,487	(287)	(902)

		2018	**2017**
Amounts recognized in the statements of financial position consist of:			
Funded status asset (liability)	$	1,875	(287)
Total amount recognized	$	1,875	(287)
Amounts recognized in unrestricted net assets consist of:			
Pension actuarial gain	$	3,083	3,844

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

		2018	**2017**
Service cost	$	1,927	2,360
Interest cost		1,186	1,145
Expected return on plan assets		(2,355)	(2,485)
Amortization of net loss		163	559
Net periodic benefit cost	$	921	1,579

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

(Amounts in thousands)

(a) *Fair Value of Plan Assets*

The following table presents total plan assets that are measured at fair value at September 30, 2018:

	September 30, 2018	Level 1	Level 2	Level 3
Cash equivalents	$ 936	226	710	—
Equity securities	11,990	11,990	—	—
Mutual funds:				
Equities	11,748	11,748	—	—
Bonds	4,664	4,664	—	—
Other fixed income	95,786	95,786	—	—
Total plan assets measured at fair value	125,124	124,414	710	—
Plan assets measured at NAV	4,613	—	—	—
Total plan assets	$ 129,737	124,414	710	—

The following table presents assets that are measured at fair value at September 30, 2017:

	September 30, 2017	Level 1	Level 2	Level 3
Cash equivalents	$ 962	183	779	—
Equity securities	24,562	24,560	—	2
Mutual funds:				
Equities	24,839	24,839	—	—
Bonds	9,396	9,396	—	—
Government agencies	12,689	12,689	—	—
Other fixed income	49,622	49,622	—	—
Total plan assets measured at fair value	122,070	121,289	779	2
Plan assets measured at NAV	12,160	—	—	—
Total plan assets	$ 134,230	121,289	779	2

(Amounts in thousands)

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.

Plan assets measured at fair value using the net asset value (NAV) per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. Assets measured at NAV consist of one real estate fund, which may only be traded quarterly and requires a notification period of at least 90 days.

(b) Estimated Future Payments

Due to the funded status of the Plan, the Plan contribution for the year ending September 30, 2019 is expected to be $0. 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 over the next ten years, in the years ended September 30:

		WVI	Total plan
2019	$	6,154	18,462
2020		4,308	12,925
2021		4,488	13,466
2022		4,217	12,650
2023		3,018	9,054
2024–2028		11,264	33,789
	$	33,449	100,346

(14) Leases

The Organization has commitments related to operating leases for building facilities, equipment, and land at September 30, 2018 and 2017.

Future minimum lease payments for the Organization with remaining terms of one year or more at September 30, 2018 are as follows:

Fiscal year:		
2019	$	14,873
2020		7,333
2021		3,729
2022		2,080
2023		843
2024 and thereafter		482
	$	29,340

(Amounts in thousands)

Lease and rent expense for the years ended September 30, 2018 and 2017 was $18,759 and $17,089, respectively.

(15) Sale of Subsidiary

In June 2018, the Organization sold its 100% ownership in VF Cambodia for cash consideration and recognized a gain on sale of $38,696 after incurring taxes and selling costs totaling $4,435. As of September 30, 2018, $1,784 of related settlement costs are held as accounts payable. The decision to exit operations was made with consideration of the advanced stage of the microfinance industry in Cambodia relative to other countries in the VFI network and World Vision partnership, and of the potential to support and grow other MFIs in the VFI network for greater social impact.

The balances relating to VF Cambodia as of and for the years ended September 30, 2018 and 2017 were as follows:

		2018	2017
Assets classified as held for sale:			
Cash and cash equivalents	$	—	24,288
Investments		—	50
Interest receivable		—	2,179
Accounts receivable		—	78
MFI loans to clients		—	160,919
(MFI loss allowance)		—	(1,155)
Net loans to MFI Clients		—	159,764
Property, plant, and equipment, net		—	2,657
Other assets		—	1,883
Total	$	—	190,899
Liabilities classified as held for sale:			
Accounts payable and accrued expenses	$	—	4,053
Interest payable		—	2,557
Deposits from microfinance institution clients		—	43,003
Notes payable		—	104,379
Other liabilities		—	3,081
Total	$	—	157,073

(Continued)

(Amounts in thousands)

		2018	2017
Results of discontinued operations:			
Revenue	$	25,538	37,806
Expenses		22,985	33,337
Change in net assets from discontinued operations, before tax		2,553	4,469
Tax expense		458	919
Net income from discontinued operations	$	2,095	3,550

(16) VisionFund Azercredit

Due to an adverse economic situation caused by the devaluation of the local currency in Azerbaijan in 2015-2016, loan collection difficulties arose for VF Azercredit, resulting in significant operating losses and the MFI's inability to pay its debt obligations to foreign lenders in accordance with their contractual terms. Beginning in 2015, VF Azercredit and the Organization worked with external lenders to extend and renegotiate the payment terms under a collective Standstill Agreement.

On December 11, 2017, the lenders to VF Azercredit terminated the Standstill Agreement, triggering VF Azercredit's insolvency. On February 8, 2018, VF Azercredit entered legal bankruptcy protection proceeding with the Administrative-Economic Court of Baku#1. On May 25, 2018, VF Azercredit was declared bankrupt and a court-appointed administrator was assigned to manage liquidation proceedings. As a result, the Organization forfeited control of VF Azercredit and deconsolidated the MFI from its financial statements.

As of September 30, 2017, the carrying value of liabilities held by VF Azercredit exceeded the reported fair value of its assets, with a reported deficiency of $23,260. In the year ended September 30, 2018, the organization recognized a gain on deconsolidation of VF Azercredit equivalent to the September 30, 2017 net deficiency.

(17) Micro Credit Organization 'EKI' Sarajevo (EKI)

On January 31, 2018, WVI de-consolidated EKI from these consolidated financial statements. This is due to events that occurred fiscal year 2018 that resulted in WVI no longer having control over EKI. These events included the inability of WVI to obtain board representation, EKI amending its charter to state that WVI's interests are no longer represented, and VFI's continued inability to collect on its loan to EKI.

As of January 31, 2018, the carrying value of assets held by EKI exceeded the carrying value of its liabilities, with a reported surplus of $41,570. In the year ended September 30, 2018, the Organization recognized a loss on deconsolidation EKI of $41,570, equivalent to the January 31, 2018 net surplus.

(18) 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.

WV India, a separate legal entity which is included in WVI's consolidated financial statements as a permissive consolidation, was issued tax assessments for the tax years 2013 through 2015, consisting of alleged back taxes owed and interest, in amounts of approximately $21,000. WV India has appealed the assessments, and it likely will be several years before a final decision is issued. The outcome of such matters is not expected to have a material adverse effect on WVI's financial position or changes in net assets.

(19) Subsequent Events

Subsequent events have been evaluated from September 30, 2018 through May 20, 2019.