Financial Statements of

WORLD VISION CANADA

And Independent Auditors' Report thereon

Year ended September 30, 2019

WORLD VISION CANADA

Table of Contents

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of World Vision Canada

Opinion

We have audited the financial statements of World Vision Canada (the "Organization"), which comprise:

- the statement of financial position as at September 30, 2019
- the statement of revenue and expenditures for the year then ended
- the statement of changes net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at September 30, 2019, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***"Auditors' Responsibilities for the Audit of the Financial Statements"*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

December 9, 2019

WORLD VISION CANADA

Statement of Financial Position

September 30, 2019, with comparative information for 2018

	2019	2018
Assets		
Current assets:		
Cash and short-term investments	$ 33,894,021	$ 33,995,313
Accounts receivable	4,416,092	6,939,109
Prepaid expenses	2,791,167	2,410,877
	41,101,280	43,345,299
Investments (note 2)	8,842,585	8,922,727
Notes receivable (note 3)	785,006	630,004
Capital assets (note 4)	15,453,128	15,472,075
	$ 66,181,999	$ 68,370,105
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued charges (note 5)	$ 11,267,127	$ 14,003,306
Due to affiliates (note 7)	1,121,739	2,145,505
Deferred contributions (note 8)	27,516,340	25,800,627
	39,905,206	41,949,438
Deferred capital contributions (note 9)	2,044,801	2,161,647
Notes payable (note 3)	635,000	630,000
Net assets:		
Net investment in capital assets (note 10)	13,408,327	13,310,428
Unrestricted	7,843,987	8,032,914
Endowments	2,344,678	2,285,678
	23,596,992	23,629,020
Commitments (note 17)		
	$ 66,181,999	$ 68,370,105

See accompanying notes to financial statements.

On behalf of the Board:

_________________________ Chair

_________________________ Treasurer

WORLD VISION CANADA

Statement of Revenue and Expenditures

Year ended September 30, 2019, with comparative information for 2018

	2019	2018
Revenue:		
Pledges collected (note 11)	$ 188,937,238	$ 196,670,552
Single gifts (note 12)	43,061,459	43,469,393
Gifts-in-kind (note 13)	116,393,201	127,116,379
Grants (note 14)	63,665,445	93,588,907
Investment and other income (note 15)	950,200	4,691,978
	413,007,543	465,537,209
Expenditures:		
Programs:		
Relief, development and advocacy	320,806,222	374,776,635
Public awareness and education	4,016,846	3,423,985
	324,823,068	378,200,620
Support:		
Fundraising	62,822,094	60,396,663
Administration:		
Domestic	20,770,409	21,786,088
International	4,683,000	5,340,000
	25,453,409	27,126,088
	88,275,503	87,522,751
	413,098,571	465,723,371
Deficiency of revenue over expenditures	$ (91,028)	$ (186,162)

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Changes in Net Assets

Year ended September 30, 2019, with comparative information for 2018

	Net investment in capital assets (note 10)	Unrestricted	Endowments	2019 Total	2018 Total
Net assets, beginning of year	$ 13,310,428	$ 8,032,914	$ 2,285,678	$ 23,629,020	$ 23,815,182
Excess (deficiency) of revenue over expenditures	(2,041,281)	1,950,253	–	(91,028)	(186,162)
Endowment contributions	–	–	59,000	59,000	–
Investment in capital assets, net	2,139,180	(2,139,180)	–	–	–
Net assets, end of year	$ 13,408,327	$ 7,843,987	$ 2,344,678	$ 23,596,992	$ 23,629,020

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Cash Flows

Year ended September 30, 2019, with comparative information for 2018

	2019	2018
Cash provided by (used in):		
Operating activities:		
Deficiency of revenue over expenditures	$ (91,028)	$ (186,162)
Items not involving cash:		
Amortization of capital assets	2,163,877	2,063,327
Amortization of deferred capital contributions	(116,846)	(116,846)
Gains on sale of capital assets	(5,750)	(3,334,580)
Unrealized losses on investments	444,735	155,337
Realized gains on sale of investments	(117,426)	(213,170)
Change in non-cash operating working capital:		
Accounts receivable	2,523,017	(1,329,232)
Prepaid expenses	(380,290)	(536,162)
Accounts payable and accrued charges	(2,736,179)	2,503,555
Due to affiliates	(1,023,766)	(128,265)
Deferred contributions	1,715,713	(9,886,365)
	2,376,057	(11,008,563)
Financing activities:		
Additions to notes payable	205,000	290,000
Repayment of notes payable	(200,000)	–
Endowment contributions	59,000	–
	64,000	290,000
Investing activities:		
Additions to notes receivable	(725,527)	(599,475)
Collection of notes receivable	200,000	–
Write down of notes receivable	370,525	310,674
Change in investments, net	(247,167)	(221,197)
Net proceeds on sale of capital assets	5,750	4,237,953
Purchase of capital assets	(2,144,930)	(2,447,372)
	(2,541,349)	1,280,583
Decrease in cash and short-term investments	(101,292)	(9,437,980)
Cash and short-term investments, beginning of year	33,995,313	43,433,293
Cash and short-term investments, end of year	$ 33,894,021	$ 33,995,313

See accompanying notes to financial statements.

Operations of the Organization:

World Vision Canada (the "Organization") is a Christian relief, development and advocacy organization incorporated under the laws of Canada as a not-for-profit organization without share capital. The Organization is registered with the Canada Revenue Agency as a charitable organization (registration number 1193 04855 RR0001) and, accordingly, is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

Inspired by Christian values, the Organization is dedicated to working with the most vulnerable people around the world, especially children. The Organization serves all people regardless of age, religion, ethnicity or gender without prejudice.

The Organization is part of an international affiliation of World Vision ("WV") entities, including VisionFund International ("VFI"), that operates in more than 100 countries around the world. Through this affiliation, the Organization is able to connect with local communities to meet specific needs with the aim to overcome poverty and injustice and to empower those communities to achieve lasting and sustainable change.

The Organization remits funds to World Vision International ("WVI") which provides coordination to all of WV by facilitating the implementation and monitoring of overseas programs to ensure that funds and goods provided by the Organization's supporters are used to directly benefit the most vulnerable people of the world, especially children. The Organization also loans funds to VFI which are used to provide financial assistance to individuals and communities to help unlock economic potential for communities to thrive.

The Organization gains support from individuals, businesses and governments, in Canada and internationally. The Organization receives both unrestricted and restricted donations and all restricted donations are reviewed prior to acceptance to ensure that the gifts are consistent with the Organization's mission, purposes, values and priorities.

The Organization and WV subscribe and are subject to a series of internal and external checks and balances, including audits by regulatory bodies, to ensure revenue is being used for the purpose intended.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

The following is a summary of significant accounting policies followed in the preparation of the financial statements:

(a) Recognition of revenue:

The Organization follows the deferral method of accounting for contributions. Revenue, containing conditions as to its use (restricted contributions), is deferred until the conditions are fulfilled. Revenue not containing conditions as to its use is recognized when received. The disbursement of government grant revenue is subject to audit by the grantor.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate of the related capital assets.

Gifts-in-kind ("GIK") are valued at fair market value. The recognition of GIK revenue is limited to donations where the Organization takes possession or constructive title of the GIK and either the Organization was the original recipient of the gift or was involved in partnership with the end-user agency, or the gift was used in WV programs. GIK are recorded as revenue at such time as the goods are received by the Organization.

The Organization is named as a beneficiary in certain wills. In some cases, the bequests involve trust arrangements administered by third parties that are not controlled by the Organization. Revenue on these arrangements, whether interest or capital, is recognized on receipt.

Endowments are recognized as direct increases in net assets and required to be maintained on a permanent basis and only the income derived therefrom is available to support the Organization's activities.

Investment income, which is recorded on the accrual basis, includes interest income, dividends, realized gains on sale of investments and change in unrealized gains (losses) on investments.

1. Significant accounting policies (continued):

(b) Volunteer services:

The efforts of volunteer workers are not reflected in the accompanying financial statements inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the Organization.

(c) Allocation of expenditures:

(i) Programs:

The Organization engages in International programs, as well as, Public Awareness and Education. Funds remitted to WV and to Canadian Partners, as well as other expenditures incurred in the support of those programs, are recorded as program expenditures less relevant support costs.

It is recognized that certain officers and employees perform a combination of program, fundraising and administrative activities and, as a result salaries are allocated based on time dedicated to the activity. Other operating and general costs, including professional and consulting fees, advertising and promotion, travel and occupancy costs have also been allocated based on the level of benefit received by each program and support service. Allocations are reviewed annually and are updated and applied on a prospective basis.

(ii) Support:

Expenditures incurred are for administrative and fundraising purposes.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Organization has elected to carry its financial investments at fair value.

1. Significant accounting policies (continued):

Transaction costs related to the purchase of investments are included in the fair value on the statement of financial position and transaction costs related to the sale of investments are expensed in the year incurred. Changes in fair value are treated as an unrealized gain or loss in the statement of revenue and expenditures.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, the Organization determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Organization expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(e) Capital assets:

Capital assets are carried at cost and are amortized over their estimated useful lives on a straight-line basis at the following annual rates:

Building	2.5% - 20.0%
Furniture and fixtures	10.0% - 20.0%
Information systems	20.0% - 33.3%

(f) Translation of foreign currencies:

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year-end date. Gains and losses arising from these translation policies are included in the statement of revenue and expenditures in investment and other income.

Revenue and expenditures have been translated using exchange rates prevailing on the transaction date.

1. Significant accounting policies (continued):

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the year, including the allocation of expenses. Actual results could differ from those estimates.

2. Investments:

	2019	2018
Short-term investments	$ 737,944	$ 944,987
Bonds	3,234,918	3,630,993
Equities:		
Canadian	2,521,407	2,264,182
Foreign	2,348,316	2,082,565
	$ 8,842,585	$ 8,922,727

The bonds bear a yield to maturity ranging from 1.15% to 10.95% (2018 - 1.25% to 10.95%) maturing between October 2019 and June 2027 (2018 - October 2018 and June 2027).

(a) Investment risk management:

Risk management relates to the understanding and active management of risks associated with all areas of the business and the associated operating environment. Investments are primarily exposed to interest rate, market and foreign currency risks. The Organization has formal policies and procedures that establish target asset mix. The Organization's policies also require diversification of investments within categories and set limits on exposure to individual investments.

(b) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect the value of short-term investments held by the Organization. The Organization manages this risk by holding primarily treasury bills and by staggering the terms of the investments held.

2. Investments (continued):

(c) Market price risk:

Market price risk arises as a result of trading in equity and fixed income investments. Fluctuations in the market expose the Organization to a risk of loss. The Organization mitigates this risk through controls to monitor and limit concentration levels.

(d) Foreign currency risk:

Foreign currency risk arises from gains and losses due to fluctuations in foreign currency exchange rates on the Organization's foreign equity investments.

3. Notes receivable and payable:

Notes receivable represents unsecured loans issued to proprietors of small businesses to support international social investment lending programs. They bear an annual interest rate ranging from 3% to 9% (2018 - 3%) and with the principal due at maturity with dates ranging from July 2020 to May 2024 (2018 - November 2019 to April 2021).

Notes payable represents loans received from supporters to fund notes receivable. The loans are unsecured and bear an annual interest rate ranging from 0% to 3% (2018 - 1% to 3%) and with the principal due at maturity with dates ranging from June 2020 to January 2022 (2018 - August 2019 to March 2021).

4. Capital assets:

			2019	2018
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1,406,720	$ –	$ 1,406,720	$ 1,406,720
Building	17,595,650	7,470,791	10,124,859	10,095,623
Furniture and fixtures	6,682,885	5,478,754	1,204,131	1,237,886
Information systems	9,651,631	6,934,213	2,717,418	2,731,846
	$ 35,336,886	$ 19,883,758	$ 15,453,128	$ 15,472,075

Included in information systems is work in progress of $728,773, which is currently not amortized (2018 - nil).

5. Accounts payable and accrued charges:

Included in accounts payable and accrued charges are government remittances payable of $120,791 (2018 - $154,023), which includes amounts payable for harmonized sales tax and payroll-related taxes.

6. Credit facility:

The Organization has an unsecured credit facility, at no fee, that provides an operating loan to a maximum of $5,000,000. The operating loan, when drawn, bears interest at bank prime and is due on demand. The Organization has no outstanding balance against the operating loan as at September 30, 2019 (2018 - nil).

The Organization's credit facility is collaterally secured by a general security agreement.

7. Related party transactions and balances:

During the year, the Organization provided funding to WV of $161,884,342 (2018 - $187,760,141) in cash and $116,393,201 (2018 - $126,981,679) in the form of donated goods. As at September 30, 2019, $1,121,739 was due to WV (2018 - $2,145,505). These amounts are non-interest bearing.

During the year, the Organization provided funding to VFI of $71,639 (2018 - $206,560) in cash and $575,527 (2018 - $600,675) in the form of loans and wrote down certain notes receivable to $1 each. VFI repaid $200,000 (2018 - nil) during the year.

As of September 30, 2019, included in notes receivable is $635,006 (2018 - $630,004) due from VFI (note 3).

8. Deferred contributions:

Deferred contributions include pledges collected, single gifts and grants, which remain unspent at September 30, 2019 as set out in the following table:

	2018	Received	Recognized as revenue	2019
Pledges collected	$ 21,137,494	$ 189,789,632	$ 188,937,238	$ 21,989,888
Single gifts	1,915,145	42,084,239	43,061,459	937,925
Grants	2,747,988	65,505,984	63,665,445	4,588,527
	$ 25,800,627	$ 297,379,855	$ 295,664,142	$ 27,516,340

9. Deferred capital contributions:

	2019	2018
Balance, beginning of year	$ 2,161,647	$ 2,278,493
Less amounts amortized to revenue	116,846	116,846
Balance, end of year	$ 2,044,801	$ 2,161,647

Deferred capital contributions represent the unamortized amount of donations received for the purchase of capital assets. Amortization of deferred capital contributions is recorded in single gifts on the statement of revenue and expenditures.

10. Net investment in capital assets:

(a) Net investment in capital assets is calculated as follows:

	2019	2018
Capital assets	$ 15,453,128	$ 15,472,075
Amounts financed by deferred capital contributions	(2,044,801)	(2,161,647)
	$ 13,408,327	$ 13,310,428

(b) The change in net assets invested in capital assets is calculated as follows:

	2019	2018
Excess (deficiency) of expenditures over revenue:		
Amortization of deferred capital contributions related to capital assets	$ 116,846	$ 116,846
Amortization of capital assets	(2,163,877)	(2,063,327)
Gains on sale of capital assets	5,750	3,334,580
	$ (2,041,281)	$ 1,388,099
Investment in capital assets, net:		
Purchase of capital assets	$ 2,144,930	$ 2,447,372
Net proceeds on sale of capital assets	(5,750)	(4,237,953)
	$ 2,139,180	$ (1,790,581)

11. Pledges collected:

	2019	2018
Child sponsorship	$ 184,711,888	$ 193,181,810
Other	4,225,350	3,488,742
	$ 188,937,238	$ 196,670,552

12. Single gifts:

	2019	2018
Development	$ 32,482,968	$ 31,512,641
Emergency relief	2,461,157	3,587,880
Other	8,117,334	8,368,872
	$ 43,061,459	$ 43,469,393

13. Gifts-in-kind:

	2019	2018
Corporate	$ 13,891,009	$ 10,129,106
Multilateral	102,502,192	116,987,273
	$ 116,393,201	$ 127,116,379

14. Grants:

	2019	2018
Government of Canada	$ 28,062,448	$ 45,801,525
Multilateral, United Nations Agencies and other foundations	31,086,083	43,129,137
Other	4,516,914	4,658,245
	$ 63,665,445	$ 93,588,907

15. Investment and other income:

	2019	2018
Dividend income	$ 71,170	$ 61,850
Interest income	975,063	860,974
Realized gain on sale of land	–	3,325,900
Realized gains on sale of investments	117,426	213,170
Unrealized losses on investments	(444,735)	(155,337)
Other	231,276	385,421
	$ 950,200	$ 4,691,978

16. Pension plan:

The Organization operates a defined contribution pension plan. The assets of the plan are held separately from those of the Organization in an independently administered fund. The pension expense is equal to the contributions paid by the Organization.

The contributions paid and expensed by the Organization for the year amounted to $1,970,910 (2018 - $2,001,371).

17. Commitments:

The Organization received funding from Global Affairs Canada to support projects in various countries. The funding is dependent upon agreements, which require, in some cases, that the Organization contribute to the project(s) a set percentage in the form of cash and/or in-kind. Future payments consisted of the following at September 30, 2019:

2020	$ 2,803,974
2021	294,881
2022	293,333
2023	200,000
2024	135,000
	$ 3,727,188

17. Commitments (continued):

The Organization has certain agreements to lease premises and office equipment. Future minimum payments under non-cancellable leases consisted of the following at September 30, 2019:

2020	$ 234,000
2021	218,000
2022	204,000
2023	127,000
2024	112,000
Thereafter	447,000
	$ 1,342,000

18. Fundraising solicitations:

Fundraising businesses were contracted to solicit donations, primarily focused on pledges, on behalf of the Organization. During the year, $12,098,187 (2018 - $8,336,308) was paid as remuneration to third party fundraising businesses.

19. Allocation of expenditures:

A portion of fundraising and administrative activities, including executive office, information technology and finance and facilities directly support programs and have been allocated as follows:

	2019	2018
Programs:		
Relief, development and advocacy	$ 2,895,373	$ 3,879,833
Public awareness and education	1,983,947	1,580,471
	$ 4,879,320	$ 5,460,304
Support:		
Fundraising	$ (1,622,246)	$ (2,058,024)
Administration	(3,257,074)	(3,402,280)
	$ (4,879,320)	$ (5,460,304)

19. Allocation of expenditures (continued):

A portion of program activities, including relief, development and advocacy and public awareness and education, are related to fundraising and administration and have been allocated as follows:

	2019	2018
Support:		
Fundraising	$ 1,935,206	$ 1,150,188
Administration	311,380	713,813
	$ 2,246,586	$ 1,864,001
Programs:		
Relief, development and advocacy	$ (903,949)	$ (658,265)
Public awareness and education	(1,342,637)	(1,205,736)
	$ (2,246,586)	$ (1,864,001)