

Financial Statements of

**WORLD VISION CANADA**

Year ended September 30, 2008

# WORLD VISION CANADA

Financial Statements

Year ended September 30, 2008

---

<b>Auditors' Report</b> .....	1
-------------------------------	---

## **Financial Statements**

Statement of Financial Position.....	2
Statement of Revenue and Expenditures.....	3
Statement of Changes in Net Assets .....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6



**KPMG LLP**  
**Chartered Accountants**  
Yonge Corporate Centre  
4100 Yonge Street Suite 200  
Toronto ON M2P 2H3  
Canada

Telephone (416) 228-7000  
Fax (416) 228-7123  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## AUDITORS' REPORT

To the Board of Directors of World Vision Canada

We have audited the statement of financial position of World Vision Canada as at September 30, 2008 and the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at September 30, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Canada Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

*KPMG LLP*

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

November 21, 2008

# WORLD VISION CANADA

## Statement of Financial Position

September 30, 2008, with comparative figures for 2007



	2008	2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 18,605,308	\$ 28,424,528
Short-term investments	15,257,095	—
Accounts receivable	1,678,525	1,044,615
Current portion of due from affiliates (note 4(a))	266,166	81,804
Prepaid expenses	940,349	1,217,185
	<u>36,747,443</u>	<u>30,768,132</u>
Investments (note 3)	4,369,438	4,843,569
Due from affiliates (note 4(a))	140,000	159,759
Capital assets (note 5)	20,890,247	21,467,161
	<u>\$ 62,147,128</u>	<u>\$ 57,238,621</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued charges	\$ 10,913,768	\$ 12,437,994
Due to affiliate (note 4(b))	—	1,310,195
Deferred contributions (note 7)	23,865,226	10,193,571
	<u>34,778,994</u>	<u>23,941,760</u>
Long-term debt (note 9)	140,000	140,000
Deferred capital contributions (note 10)	3,330,107	3,446,952
Net assets:		
Net investment in capital assets (note 11)	17,560,140	18,020,209
Unrestricted	5,414,292	10,766,105
Endowments	923,595	923,595
	<u>23,898,027</u>	<u>29,709,909</u>
Commitments (note 8)		
	<u>\$ 62,147,128</u>	<u>\$ 57,238,621</u>

See accompanying notes to financial statements.

On behalf of the Board:

 Director  
 Director

# WORLD VISION CANADA

## Statement of Revenue and Expenditures

Year ended September 30, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Donations from the public:		
Child sponsorship	\$ 189,682,498	\$ 185,546,872
Non-sponsorship	69,509,697	59,646,613
Donated goods	72,242,581	57,934,673
Government grants:		
Cash:		
Canadian government	15,582,448	9,747,852
International and multilateral	3,048,329	3,655,673
Provincial government	110,000	140,000
Donated goods:		
International and multilateral	29,489,571	33,174,721
Investment and other income, net (note 12)	2,166,601	2,411,379
	<u>381,831,725</u>	<u>352,257,783</u>
Expenditures:		
Program:		
International programs	306,309,172	274,262,302
Canadian programs	6,005,584	4,002,361
Public awareness and education	6,908,773	6,189,542
	<u>319,223,529</u>	<u>284,454,205</u>
Support:		
Fundraising	45,507,840	43,979,706
Administration	22,912,238	21,057,357
	<u>68,420,078</u>	<u>65,037,063</u>
	<u>387,643,607</u>	<u>349,491,268</u>
Excess of revenue over expenditures (expenditures over revenue)	\$ (5,811,882)	\$ 2,766,515

See accompanying notes to financial statements.

# WORLD VISION CANADA

## Statement of Changes in Net Assets

Year ended September 30, 2008, with comparative figures for 2007

				2008	2007
	Net investment in capital assets (note 11)	Unrestricted	Endowments	Total	Total
Net assets, beginning of year	\$ 18,020,209	\$ 10,766,105	\$ 923,595	\$ 29,709,909	\$ 26,943,394
Excess of revenue over expenditures (expenditures over revenue) (note 11)	(2,053,018)	(3,758,864)	–	(5,811,882)	2,766,515
Investment in capital assets, net (note 11)	1,592,949	(1,592,949)	–	–	–
Net assets, end of year	\$ 17,560,140	\$ 5,414,292	\$ 923,595	\$ 23,898,027	\$ 29,709,909

See accompanying notes to financial statements.

# WORLD VISION CANADA

## Statement of Cash Flows

Year ended September 30, 2008, with comparative figures for 2007

	2008	2007
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures (expenditures over revenue)	\$ (5,811,882)	\$ 2,766,515
Items not involving cash:		
Amortization of capital assets	2,165,871	1,730,753
Amortization of deferred capital contributions	(116,845)	(116,846)
Loss on disposal of capital assets	3,992	2,971
Accrued interest on short-term investments	(257,095)	—
Unrealized loss on investments	750,600	39,898
Change in non-cash operating working capital (note 15)	10,480,160	(85,909)
	7,214,801	4,337,382
Investing activities:		
Purchase of short-term investments	(15,000,000)	—
Change in investments, net	(276,469)	(456,645)
Change in due from affiliates	(164,603)	212,019
Net proceeds on sale of capital assets	550	100
Purchase of capital assets	(1,593,499)	(3,996,638)
	(17,034,021)	(4,241,164)
Increase (decrease) in cash and cash equivalents	(9,819,220)	96,218
Cash and cash equivalents, beginning of year	28,424,528	28,328,310
Cash and cash equivalents, end of year	\$ 18,605,308	\$ 28,424,528
Supplemental cash flow information:		
Interest paid	\$ 5,600	\$ 5,600

See accompanying notes to financial statements.

# WORLD VISION CANADA

Notes to Financial Statements

Year ended September 30, 2008

---

## **Operations of the Organization:**

World Vision Canada (the "Organization") is a Christian relief, development and advocacy organization dedicated to working with children, families and communities to overcome poverty and injustice. Motivated by the Christian faith, the Organization is dedicated to working with the world's most vulnerable people. The Organization serves all people, regardless of religion, race, ethnicity or gender. It does this both on its own and in partnership with local communities through World Vision organizations around the world. The Organization is incorporated under the laws of Canada as a corporation without share capital and is a non-profit charitable organization (registration number 1193 04855 RR0001).

World Vision is an international affiliation with offices in more than 90 countries ("WV entities"). World Vision International ("WVI") assists the Organization by facilitating the coordination, implementation and monitoring of overseas programs to ensure that goods and projects funded by World Vision donors are used to directly benefit people in need.

## **1. Significant accounting policies:**

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, which contains 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. Based on prior experience, the Organization believes costs ultimately disallowed, if any, would be immaterial to the financial statements.

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.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

---

## 1. Significant accounting policies (continued):

Gifts-in-kind ("GIK") are valued at estimated fair value. Prior to fiscal 2008, the estimated fair values of certain GIK were discounted. Management refined their valuation estimate such that all GIK are recorded at 100% of estimated fair 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 World Vision programs. GIK are recorded as revenue at such time as the goods are deployed for charitable purposes to the end-user agencies.

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 Organization activities.

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

### (b) Volunteer services:

The efforts of volunteer workers are not reflected in the accompanying financial statements, 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) International operations:

The Organization treats all funds remitted to WV and WV entities as program expenditures.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

---

## 1. Significant accounting policies (continued):

### (d) Allocation of costs:

Certain officers and employees perform a combination of program, fundraising and administrative functions; as a result, salaries are allocated based on functional activity. Other costs, including television programming, printing, postage and distribution, have been allocated between the program and support expenditures benefited. Such allocations are reviewed, updated and applied on a prospective basis.

### (e) Cash and cash equivalents:

Cash and cash equivalents are defined as cash and short-term investments with maturity dates of less than 90 days.

### (f) Financial instruments:

Cash and cash equivalents and short-term investments are designated as held-for-trading, which is measured at fair value. Accounts receivable and due from affiliates are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and long-term debt are classified as other financial liabilities, which are measured at amortized cost. The carrying value of long-term debt approximates fair value since the interest rate approximates current interest rates.

### (g) Investments:

Investments are classified as held-for-trading and stated at fair value. Investments in term deposits with maturity dates greater than 90 days and less than one year are considered as short-term investments and classified as held-for-trading.

In determining fair values, adjustments have not been made for transaction costs as they are not considered to be significant. The change in the difference between the fair value and cost of investments at the beginning and end of each year is reflected in the statement of revenue and expenditures. Transaction costs that are directly attributable to the acquisition of investments are not considered significant and are expensed when paid.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

---

## 1. Significant accounting policies (continued):

Fair values of investments are determined as follows:

Fixed income securities and equities are valued at year-end quoted market prices, where available. Where quoted prices are not available, estimated fair values are calculated using comparable securities.

Short-term notes, treasury bills and term deposits maturing within a year are stated at cost, which together with accrued interest income approximates fair value given the short-term nature of these investments.

### (h) 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%
Information systems	20.0% - 33.3%
Furniture and fixtures	10.0% - 20.0%

---

### (i) 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. Revenue and expenditures have been translated using exchange rates prevailing on the transaction date. Gains and losses arising from these translation policies are included in the statement of revenue and expenditures.

### (j) 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. Actual results could differ from those estimates.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

---

## 2. Future accounting changes:

The following summarizes future accounting changes that will be relevant to the Organization's financial statements subsequent to September 30, 2008:

(a) Sections 3862 and 3863, Financial Instruments - Disclosures and Presentation:

The new Sections 3862 and 3863 replace Handbook Section 3860, Financial Instruments - Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The new standards will apply to the Organization commencing October 1, 2008.

These standards will impact the Organization's disclosures provided but will not affect the Organization's results or financial position.

(b) Section 4400, Financial Statement Presentation by Not-for-Profit Organizations:

Recent amendments to Section 4400, Financial Statement Presentation by Non-for-Profit Organizations, will modify the requirements with respect to various elements of financial statement presentation. These amendments include:

- (i) Reporting certain revenues at their gross amounts in the statement of revenue and expenditures.
- (ii) When a not-for-profit organization classifies its expenses by function and allocates some of its fundraising and general support costs to another function, disclosing the policy adopted for expenses and amounts allocated from each of these two functions to other functions.
- (iii) The elimination of the requirement to treat net assets invested in capital assets as a separate component of net assets.

The new standard applies to financial statements relating to the fiscal years beginning on or after January 1, 2009, specifically October 1, 2009 for the Organization. This standard will impact the Organization's disclosures provided but will not affect the Organization's results or financial position.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

### 3. Investments:

	2008		2007	
	Cost	Fair value	Cost	Fair value
Canadian equities	\$ 411,958	\$ 474,544	\$ 491,550	\$ 713,321
Foreign equities	1,910,381	1,584,795	1,670,660	1,938,823
Bonds	1,686,888	1,732,436	1,734,839	1,785,043
Short-term investments	573,999	577,663	409,708	406,382
	<u>\$ 4,583,226</u>	<u>\$ 4,369,438</u>	<u>\$ 4,306,757</u>	<u>\$ 4,843,569</u>

The bonds bear a yield to maturity ranging from 3.95% to 12.10% maturing between June 2009 and December 2031.

(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 risk. 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 term deposits and by staggering the terms of the investments held.

(c) Market risk:

Market risk arises as a result of trading in equity securities, bonds and short-term 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.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

---

### 3. Investments (continued):

#### (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 securities.

### 4. Related party transactions and balances:

#### (a) Due from affiliates:

The Organization has advanced revolving loans to certain WV entities for the purpose of overseas programs. These loans are interest-bearing at an average rate of 5%, denominated in U.S. and Canadian funds with principal repayments as follows:

---

2009	\$ 266,166
2014	140,000
	<hr/> 406,166
Less current portion	266,166
	<hr/> \$ 140,000

---

During the year, the Organization received \$9,780 (2007 - \$15,240) in interest revenue.

#### (b) Due to affiliate:

Throughout the year, the Organization remits funds to WV at predetermined amounts agreed to by both related parties. During the year, the Organization provided funding to WV entities of \$189,732,221 (2007 - \$174,033,605) in cash. In fiscal 2008, the Organization provided donated goods to WV entities of \$101,732,152 (2007 - \$91,109,394).

As at September 30, 2008, nil (2007 - \$1,310,195) was due to WV. These amounts are non-interest bearing.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

## 5. Capital assets:

			2008	2007
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,830,577	\$ –	\$ 3,830,577	\$ 3,777,570
Building	14,227,467	2,446,621	11,780,846	12,096,675
Information systems	9,175,508	6,653,313	2,522,195	2,685,437
Furniture and fixtures	5,551,948	2,795,319	2,756,629	2,907,479
	<b>\$ 32,785,500</b>	<b>\$ 11,895,253</b>	<b>\$ 20,890,247</b>	<b>\$ 21,467,161</b>

## 6. Credit facility:

The Organization has a credit facility 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 balances against the operating loan as of September 30, 2008. The Organization's credit facility is collaterally secured by a general security agreement, a first mortgage on land and building in the amount of \$14,000,000 and an assignment of fire insurance.

## 7. Deferred contributions:

Deferred contributions include child sponsorship, non-sponsorship funds and government grants received, which remain unspent to September 30, 2008, as set out in the following table:

	2007	Received	Recognized as revenue	2008
Child sponsorship	\$ 3,561,852	\$ 194,189,534	\$ 189,682,498	\$ 8,068,888
Non-sponsorship	3,936,015	76,666,416	69,509,697	11,092,734
Government grants	2,695,704	20,748,677	18,740,777	4,703,604
	<b>\$ 10,193,571</b>	<b>\$ 291,604,627</b>	<b>\$ 277,932,972</b>	<b>\$ 23,865,226</b>

Deferred contributions recognized as revenue are included in cash donations from the public and government grants on the statement of revenue and expenditures.

Deferred contributions of \$23,865,226 (2007 - \$10,193,571) are restricted cash and are included in cash and cash equivalents and short-term investments on the statement of financial position.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

## 8. Commitments:

The Organization has certain agreements to lease premises, automobiles, office and information systems equipment. Future minimum payments, by year and in aggregate, under non-cancellable leases with initial or remaining terms of one year or more, consisted of the following at September 30, 2008:

2009	\$	646,000
2010		621,000
2011		539,000
2012		273,000
2013		85,000
Thereafter		113,000
	\$	2,277,000

## 9. Long-term debt:

The Organization entered into a loan with DUCA Financial Services Credit Union Ltd. for lending to its overseas programs in the amount of \$140,000, bearing interest at 4%, due in 2014. During the year, the interest on the long-term debt amounted to \$5,600 (2007 - \$5,600).

## 10. Deferred capital contributions:

	2008	2007
Balance, beginning of year	\$ 3,446,952	\$ 3,563,798
Less amounts amortized to revenue	116,845	116,846
Balance, end of year	\$ 3,330,107	\$ 3,446,952

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

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

## 11. Net investment in capital assets:

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

	2008	2007
Capital assets	\$ 20,890,247	\$ 21,467,161
Amounts financed by deferred capital contributions	(3,330,107)	(3,446,952)
	<u>\$ 17,560,140</u>	<u>\$ 18,020,209</u>

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

	2008	2007
Excess of expenditures over revenue:		
Amortization of deferred capital contributions related to capital assets	\$ 116,845	\$ 116,846
Amortization of capital assets	(2,165,871)	(1,730,753)
Loss on disposal of capital assets	(3,992)	(2,971)
	<u>\$ (2,053,018)</u>	<u>\$ (1,616,878)</u>
Investment in capital assets, net:		
Purchase of capital assets	\$ 1,593,499	\$ 3,996,638
Net proceeds on sale of capital assets	(550)	(100)
	<u>\$ 1,592,949</u>	<u>\$ 3,996,538</u>

## 12. Investment and other income, net:

	2008	2007
Interest income	\$ 2,082,795	\$ 1,845,181
Dividend income	78,671	192,177
Realized gains on sale of investments	416,179	321,543
Unrealized losses on investments	(750,600)	(39,898)
Other	339,556	92,376
	<u>\$ 2,166,601</u>	<u>\$ 2,411,379</u>

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

---

## 13. 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 contribution paid and expensed by the Organization for the year amounted to \$1,359,198 (2007 - \$1,232,193).

## 14. Tax receipted donations:

The Organization is a member of Imagine Canada and has adopted the Ethical Fundraising and Financial Accountability Code (the "Code"). All of the standards of the Code are disclosed in the financial statements, except for the disclosure of donations that are receipted for income tax purposes.

As the majority of donation receipts are issued on an annual basis at the end of the calendar year, the amount of donations that are receipted for fiscal 2008 is not available as at September 30, 2008; however, a substantial portion of cash revenue received will be receipted.

During fiscal 2007, the Organization issued donation receipts for income tax purposes in the amount of \$233,942,355.

## 15. Statement of cash flows:

The change in non-cash operating working capital consists of the following:

	2008	2007
Accounts receivable	\$ (633,910)	\$ (452,346)
Prepaid expenses	276,836	(427,395)
Accounts payable and accrued charges	(1,524,226)	439,828
Due to affiliate	(1,310,195)	1,310,195
Deferred contributions	13,671,655	(956,191)
	<u>\$ 10,480,160</u>	<u>\$ (85,909)</u>

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2008

---

## 16. Canadian International Development Agency disclosures:

### (a) Burma Cyclone Relief:

The Canadian International Development Agency ("CIDA") established a fund for grants based on matching total donations from individual donors for the period between May 2, 2008 and June 13, 2008 to all qualifying organizations. The Organization raised \$4,096,664 of eligible donations.

### (b) Sichuan Earthquake Relief:

CIDA established a fund for grants based on matching total donations from individual donors for the period between May 12, 2008 and June 23, 2008 to all qualifying organizations. The Organization raised \$4,644,041 of eligible donations.

## 17. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.