

Financial Statements of

WORLD VISION CANADA

Year ended September 30, 2007

WORLD VISION CANADA

Financial Statements

Year ended September 30, 2007

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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, 2007 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, 2007 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, except for the change in accounting policy as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

November 22, 2007

WORLD VISION CANADA

Statement of Financial Position

September 30, 2007, with comparative figures for 2006

	2007	2006 (Restated - note 2)
Assets		
Current assets:		
Cash	\$ 28,424,528	\$ 28,328,310
Investments (note 3)	4,843,569	4,426,822
Accounts receivable	1,044,615	592,269
Current portion of due from affiliates (note 4(a))	81,804	209,913
Prepaid expenses	1,217,185	789,790
	<u>35,611,701</u>	<u>34,347,104</u>
Due from affiliates (note 4(a))	159,759	243,669
Capital assets (note 5)	21,467,161	19,204,347
	<u>\$ 57,238,621</u>	<u>\$ 53,795,120</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued charges	\$ 12,437,994	\$ 11,998,166
Due to affiliate (note 4(b))	1,310,195	—
Deferred contributions (note 7)	10,193,571	11,149,762
	<u>23,941,760</u>	<u>23,147,928</u>
Long-term debt (note 9)	140,000	140,000
Deferred capital contributions (note 10)	3,446,952	3,563,798
Net assets:		
Net investment in capital assets (note 11)	18,020,209	15,640,549
Unrestricted	10,766,105	10,379,250
Endowments	923,595	923,595
	<u>29,709,909</u>	<u>26,943,394</u>
Commitments (note 8)		
	<u>\$ 57,238,621</u>	<u>\$ 53,795,120</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, 2007, with comparative figures for 2006

	2007	2006
		(Restated - note 2)
Revenue:		
Donations from the public:		
Child sponsorship	\$ 185,546,872	\$ 173,830,966
Non-sponsorship	59,646,613	68,438,644
Donated goods	57,934,673	60,488,040
Government grants:		
Cash:		
Canadian government	9,747,852	12,932,124
International and multilateral	3,655,673	6,072,056
Provincial government	140,000	125,000
Donated goods:		
International and multilateral	33,174,721	35,528,487
Investment and other income, net	2,411,379	2,674,261
	<u>352,257,783</u>	<u>360,089,578</u>
Expenditures:		
Program:		
International programs	274,262,302	287,877,830
Canadian programs	4,002,361	2,562,217
Public awareness and education	6,189,542	6,579,279
	<u>284,454,205</u>	<u>297,019,326</u>
Support:		
Fundraising	43,979,706	39,827,970
Administration	21,057,357	19,982,932
	<u>65,037,063</u>	<u>59,810,902</u>
	<u>349,491,268</u>	<u>356,830,228</u>
Excess of revenue over expenditures	<u>\$ 2,766,515</u>	<u>\$ 3,259,350</u>

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Changes in Net Assets

Year ended September 30, 2007, with comparative figures for 2006

				2007	2006
	Net investment in capital assets (note 11)	Unrestricted	Endowments	Total	Total (Restated - note 2)
Net assets, beginning of year	\$ 15,640,549	\$ 10,379,250	\$ 923,595	\$ 26,943,394	\$ 23,684,044
Excess of revenue over expenditures (expenditures over revenue) (note 11)	(1,616,878)	4,383,393	—	2,766,515	3,259,350
Investment in capital assets, net (note 11)	3,996,538	(3,996,538)	—	—	—
Net assets, end of year	\$ 18,020,209	\$ 10,766,105	\$ 923,595	\$ 29,709,909	\$ 26,943,394

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Cash Flows

Year ended September 30, 2007, with comparative figures for 2006

	2007	2006 (Restated - note 2)
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures	\$ 2,766,515	\$ 3,259,350
Items not involving cash:		
Amortization of capital assets	1,730,753	1,740,584
Amortization of deferred capital contributions	(116,846)	(105,766)
Loss on disposal of capital assets	2,971	4,793
Change in non-cash operating working capital (note 13)	(85,909)	(13,055,595)
	4,297,484	(8,156,634)
Financing activities:		
Deferred capital contributions	-	426,040
Investing activities:		
Change in investments	(416,747)	(476,226)
Change in due from affiliates	212,019	796,082
Net proceeds on sale of capital assets	100	1,050
Purchase of capital assets	(3,996,638)	(2,272,893)
	(4,201,266)	(1,951,987)
Increase (decrease) in cash	96,218	(9,682,581)
Cash, beginning of year	28,328,310	38,010,891
Cash, end of year	\$ 28,424,528	\$ 28,328,310
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, 2007

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 ("WV") 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, 2007

1. Significant accounting policies (continued):

Gifts-in-kind ("GIK") are valued at their estimated fair values. 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, 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) International operations:

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

(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.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2007

1. Significant accounting policies (continued):

(e) Investments:

Investments are classified as held for trading and stated at fair value.

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.

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.

(f) 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%

(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. Actual results could differ from those estimates.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2007

2. Change in accounting policy:

During the year, the Organization changed its accounting policy so that software development costs are expensed as incurred. Previously, the development costs were capitalized and amortized over the estimated useful life on a straight-line basis once the project was deployed. The new policy permits more effective utilization of staff resources and decreased administration. This change in policy was applied retrospectively and the comparative figures for 2006 were restated. The impact of this change was an increase in Canadian programs expenditures of \$49,132 (2006 - \$111,119), an increase in administration expenditures of \$317,043 (2006 - \$336,877), a decrease in capital assets of \$1,789,271 (2006 - \$1,423,096) and a decrease in net assets as at October 1, 2005 of \$975,100.

3. Investments:

	2007		2006	
	Cost	Fair value	Cost	Fair value
Equities	\$ 2,162,210	\$ 2,652,144	\$ 2,095,187	\$ 2,567,986
Bonds	1,734,839	1,785,043	1,421,256	1,510,652
Short-term investments	409,708	406,382	347,307	348,184
	<u>\$ 4,306,757</u>	<u>\$ 4,843,569</u>	<u>\$ 3,863,750</u>	<u>\$ 4,426,822</u>

The bonds bear a yield to maturity ranging from 3.55% to 12.10% maturing between April 2008 and December 2031. Net realized and unrealized gains total \$429,901 (2006 - \$366,150) for the year ended September 30, 2007, and are included in investment and other income on the statement of revenue and expenditures.

Investments are subject to the risk that values will fluctuate due to the changes in the market interest rates and foreign exchange rates.

Returns on investments are subject to risk factors specific to general economic conditions. The market value represents the maximum exposure to market/credit risk. This risk is mitigated by investing in a portfolio that is widely diversified by industry.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2007

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:

2008	\$ 81,804
2009	159,759
	<u>241,563</u>
Less current portion	81,804
	<u>\$ 159,759</u>

During the year, the Organization received \$15,240 in interest revenue (2006 - \$20,985).

(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 \$174,033,605 (2006 - \$182,613,075) in cash and donated goods in the amount of \$92,702,701 (2006 - \$98,431,473). As at September 30, 2007, \$1,310,195 (2006 - nil) was due to WV. These amounts are non-interest bearing.

5. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
				(Restated - note 2)
Land	\$ 3,777,570	\$ —	\$ 3,777,570	\$ 2,214,594
Building	14,191,696	2,095,021	12,096,675	12,294,910
Information systems	10,161,016	7,475,579	2,685,437	1,953,364
Furniture and fixtures	5,381,462	2,473,983	2,907,479	2,741,479
	<u>\$ 33,511,744</u>	<u>\$ 12,044,583</u>	<u>\$ 21,467,161</u>	<u>\$ 19,204,347</u>

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2007

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, 2007. 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, 2007, as set out in the following table:

	2006	Received	Recognized as revenue	2007
Child sponsorship	\$ 8,090,854	\$ 181,017,870	\$ 185,546,872	\$ 3,561,852
Non-sponsorship	484,148	63,098,480	59,646,613	3,936,015
Government grants	2,574,760	13,664,469	13,543,525	2,695,704
	<u>\$ 11,149,762</u>	<u>\$ 257,780,819</u>	<u>\$ 258,737,010</u>	<u>\$ 10,193,571</u>

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 \$10,193,571 (2006 - \$11,149,762) are restricted cash and are grouped with cash on the statement of financial position.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2007

8. Commitments:

The Organization has certain agreements to lease premises, automobiles 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, 2007:

2008	\$	638,000
2009		638,000
2010		613,000
2011		540,000
2012		190,000
Thereafter		198,000
	\$	2,817,000

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 2009. During the year, interest on the long-term debt amounted to \$5,600 (2006 - \$5,600).

10. Deferred capital contributions:

	2007	2006
Balance, beginning of year	\$ 3,563,798	\$ 3,243,524
Less amounts amortized to revenue	116,846	105,766
Add contributions	—	426,040
Balance, end of year	\$ 3,446,952	\$ 3,563,798

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, 2007

11. Net investment in capital assets:

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

	2007	2006 (Restated - note 2)
Capital assets	\$ 21,467,161	\$ 19,204,347
Amounts financed by deferred capital contributions	(3,446,952)	(3,563,798)
	<u>\$ 18,020,209</u>	<u>\$ 15,640,549</u>

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

	2007	2006 (Restated - note 2)
Excess of expenditures over revenue:		
Amortization of deferred capital contributions related to capital assets	\$ 116,846	\$ 105,766
Amortization of capital assets	(1,730,753)	(1,740,584)
Loss on disposal of capital assets	(2,971)	(4,793)
	<u>\$ (1,616,878)</u>	<u>\$ (1,639,611)</u>
Investment in capital assets, net:		
Purchase of capital assets	\$ 3,996,638	\$ 2,272,893
Deferred capital contributions	—	(426,040)
Net proceeds on sale of capital assets	(100)	(1,050)
	<u>\$ 3,996,538</u>	<u>\$ 1,845,803</u>

12. 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 \$1,232,193 (2006 - \$1,116,093).

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2007

13. Statement of cash flows:

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

	2007	2006
Accounts receivable	\$ (452,346)	\$ 103,146
Prepaid expenses	(427,395)	(256,074)
Accounts payable and accrued charges	439,828	1,093,517
Due to affiliate	1,310,195	—
Deferred contributions	(956,191)	(13,996,184)
	<u>\$ (85,909)</u>	<u>\$ (13,055,595)</u>

14. Fair values of financial instruments:

The fair values of cash, accounts receivable, due from affiliates, accounts payable and accrued charges, due to affiliate and short-term loan approximate the carrying values due to the short-term maturities of these amounts. The fair value of investments is as disclosed in note 3. The carrying value of long-term debt approximates fair value since the interest rate approximates current interest rates.

15. Comparative figures:

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