

Financial Statements of

WORLD VISION CANADA

Year ended September 30, 2009

WORLD VISION CANADA

Financial Statements

Year ended September 30, 2009

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Financial Statements

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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, 2009 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, 2009 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 20, 2009

WORLD VISION CANADA

Statement of Financial Position

September 30, 2009, with comparative figures for 2008

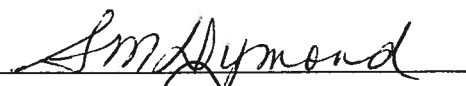
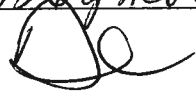
	2009	2008
Assets		
Current assets:		
Cash and cash equivalents	\$ 36,857,764	\$ 18,605,308
Short-term investments	–	15,257,095
Accounts receivable	1,480,253	1,678,525
Current portion of due from affiliates (note 4(a))	–	266,166
Prepaid expenses	1,700,456	940,349
	<u>40,038,473</u>	<u>36,747,443</u>
Investments (note 3)	4,528,203	4,369,438
Due from affiliates (note 4(a))	–	140,000
Capital assets (note 5)	19,301,417	20,890,247
	<u>\$ 63,868,093</u>	<u>\$ 62,147,128</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued charges	\$ 10,028,120	\$ 10,913,768
Due to affiliate (note 4(b))	140,252	–
Deferred contributions (note 7)	27,589,150	23,865,226
	<u>37,757,522</u>	<u>34,778,994</u>
Long-term debt (note 9)	–	140,000
Deferred capital contributions (note 10)	3,213,261	3,330,107
Net assets:		
Net investment in capital assets (note 11)	16,088,156	17,560,140
Unrestricted	5,885,559	5,414,292
Endowments	923,595	923,595
	<u>22,897,310</u>	<u>23,898,027</u>
Commitments (note 8)		
	<u>\$ 63,868,093</u>	<u>\$ 62,147,128</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, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Donations from the public:		
Child sponsorship	\$ 194,542,037	\$ 189,682,498
Non-sponsorship	63,293,482	69,509,697
Donated goods	62,504,374	72,242,581
Government grants:		
Cash:		
Canadian government	13,345,920	15,582,448
International and multilateral	3,858,524	3,048,329
Provincial government	110,000	110,000
Donated goods:		
International and multilateral	35,489,097	29,489,571
Investment and other income, net (note 13)	1,627,685	2,836,188
	<u>374,771,119</u>	<u>382,501,312</u>
Expenditures:		
Program:		
International programs	294,103,517	306,309,172
Canadian programs	5,665,408	6,005,584
Public awareness and education	5,669,477	6,960,525
	<u>305,438,402</u>	<u>319,275,281</u>
Support:		
Fundraising	47,638,441	46,125,675
Administration	22,694,993	22,912,238
	<u>70,333,434</u>	<u>69,037,913</u>
	<u>375,771,836</u>	<u>388,313,194</u>
Excess of expenditures over revenue	\$ (1,000,717)	\$ (5,811,882)

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Changes in Net Assets

Year ended September 30, 2009, with comparative figures for 2008

				2009	2008
	Net investment in capital assets (note 11)	Unrestricted	Endowments	Total	Total
Net assets, beginning of year	\$ 17,560,140	\$ 5,414,292	\$ 923,595	\$ 23,898,027	\$ 29,709,909
Excess of revenue over expenditures (expenditures over revenue) (note 11)	(2,122,786)	1,122,069	–	(1,000,717)	(5,811,882)
Investment in capital assets, net (note 11)	650,802	(650,802)	–	–	–
Net assets, end of year	\$ 16,088,156	\$ 5,885,559	\$ 923,595	\$ 22,897,310	\$ 23,898,027

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Cash Flows

Year ended September 30, 2009, with comparative figures for 2008

	2009	2008
Cash provided by (used in):		
Operating activities:		
Excess of expenditures over revenue	\$ (1,000,717)	\$ (5,811,882)
Items not involving cash:		
Amortization of capital assets	2,210,942	2,165,871
Amortization of deferred capital contributions	(116,846)	(116,845)
Loss on disposal of capital assets	28,690	3,992
Accrued interest on short-term investments	—	(257,095)
Unrealized losses (gains) on investments	(137,964)	750,600
Interest on short-term investments	(281,436)	—
Realized losses (gains) on sale of investments	131,058	(416,179)
Change in non-cash operating working capital (note 16)	2,416,693	10,480,160
	<u>3,250,420</u>	<u>6,798,622</u>
Financing activities:		
Repayment of long-term debt	(140,000)	—
Investing activities:		
Purchase of short-term investments	—	(15,000,000)
Proceeds on sale of short-term investments	15,538,531	—
Change in investments, net	(151,859)	139,710
Change in due from affiliates	406,166	(164,603)
Net proceeds on sale of capital assets	5,633	550
Purchase of capital assets	(656,435)	(1,593,499)
	<u>15,142,036</u>	<u>(16,617,842)</u>
Increase (decrease) in cash and cash equivalents	18,252,456	(9,819,220)
Cash and cash equivalents, beginning of year	18,605,308	28,424,528
Cash and cash equivalents, end of year	<u>\$ 36,857,764</u>	<u>\$ 18,605,308</u>
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, 2009

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) and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act (Canada) are met.

World Vision ("WV") 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 WV 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, 2009

1. Significant accounting policies (continued):

Gifts-in-kind ("GIK") are valued at 100% of 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 WV 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 the Organization's activities.

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

(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.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2009

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 other than investments:

Cash and cash equivalents are designated as held-for-trading, which are measured at fair value. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued charges, due to affiliate and long-term debt are classified as other financial liabilities, which are measured at amortized cost.

The Organization has adopted The Canadian Institute of Chartered Accountants' Handbook Section 3861, Financial Instruments - Disclosure and Presentation. In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation, the Organization has elected not to adopt these standards in its financial statements.

(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 short-term investments and classified as held-for-trading.

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, 2009

1. Significant accounting policies (continued):

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 in investment and other income, net.

(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, 2009

2. Future accounting changes:

Recent amendments to Section 4400, Financial Statement Presentation by Not-for-Profit Organizations will modify the requirements with respect to various elements of financial statement presentation. 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.

3. Investments:

	2009		2008	
	Cost	Fair value	Cost	Fair value
Canadian equities	\$ 494,010	\$ 549,842	\$ 411,958	\$ 474,544
Foreign equities	1,709,487	1,451,234	1,910,381	1,584,795
Bonds	1,995,302	2,122,612	1,686,888	1,732,436
Short-term investments	405,228	404,515	573,999	577,663
	<u>\$ 4,604,027</u>	<u>\$ 4,528,203</u>	<u>\$ 4,583,226</u>	<u>\$ 4,369,438</u>

The bonds bear a yield to maturity ranging from 3.2% to 12.1% maturing between May 2010 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 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 term deposits and by staggering the terms of the investments held.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2009

3. Investments (continued):

(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.

(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 had advanced revolving loans to certain WV entities for the purpose of overseas programs. These loans were interest-bearing at an average rate of 5.0%, denominated in U.S. and Canadian funds. During the year, the Organization received \$3,700 (2008 - \$9,780) in interest revenue and the loans were repaid in full.

(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 \$182,089,404 (2008 - \$189,732,221) in cash and donated goods in the amount of \$97,993,471 (2008 - \$101,732,152). As at September 30, 2009, \$140,252 (2008 - nil) was due to WV. These amounts are non-interest bearing.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2009

5. Capital assets:

			2009	2008
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,830,577	\$ —	\$ 3,830,577	\$ 3,830,577
Building	14,227,467	2,798,669	11,428,798	11,780,846
Information systems	7,348,214	5,562,736	1,785,478	2,522,195
Furniture and fixtures	5,578,916	3,322,352	2,256,564	2,756,629
	\$ 30,985,174	\$ 11,683,757	\$ 19,301,417	\$ 20,890,247

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, 2009. 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, 2009, as set out in the following table:

	2008	Received	Recognized as revenue	2009
Child sponsorship	\$ 8,068,888	\$ 201,785,933	\$ 194,542,037	\$ 15,312,784
Non-sponsorship:				
Donations	11,092,734	62,798,752	63,176,636	10,714,850
Amortization of deferred capital contributions (note 10)	—	116,846	116,846	—
	11,092,734	62,915,598	63,293,482	10,714,850
Government grants:				
Canadian government -				
The Canadian International Development Agency ("CIDA"):				
Canadian partnership programs	179,231	1,189,333	1,128,167	240,397
Bilateral programs	32,319	2,269,991	2,302,310	—
Multilateral programs	4,492,054	6,375,774	9,915,443	952,385
	4,703,604	9,835,098	13,345,920	1,192,782
International and multilateral	—	3,858,524	3,858,524	—
Provincial	—	110,000	110,000	—
Special events and other	—	1,404,380	1,035,646	368,734
	\$ 23,865,226	\$ 279,909,533	\$ 276,185,609	\$ 27,589,150

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2009

7. Deferred contributions (continued):

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 \$27,589,150 (2008 - \$23,865,226) include restricted cash of \$27,493,220 (2008 - \$23,250,876), which is grouped with cash and cash equivalents on the statement of financial position, and a receivable from CIDA of \$95,930 (2008 - \$614,350), which is grouped with accounts receivable on the statement of financial position.

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, 2009:

2010	\$	656,000
2011		565,000
2012		283,000
2013		87,000
2014		84,000
Thereafter		28,000
		<hr/>
	\$	1,703,000

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 4.0%, due in 2009. During the year, the debt was extinguished and the interest on the long-term debt amounted to \$5,600 (2008 - \$5,600).

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2009

10. Deferred capital contributions:

	2009	2008
Balance, beginning of year	\$ 3,330,107	\$ 3,446,952
Less amounts amortized to revenue	116,846	116,845
Balance, end of year	\$ 3,213,261	\$ 3,330,107

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.

11. Net investment in capital assets:

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

	2009	2008
Capital assets	\$ 19,301,417	\$ 20,890,247
Amounts financed by deferred capital contributions	(3,213,261)	(3,330,107)
	\$ 16,088,156	\$ 17,560,140

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

	2009	2008
Excess of expenditures over revenue:		
Amortization of deferred capital contributions related to capital assets	\$ 116,846	\$ 116,845
Amortization of capital assets	(2,210,942)	(2,165,871)
Loss on disposal of capital assets	(28,690)	(3,992)
	\$ (2,122,786)	\$ (2,053,018)
Investment in capital assets, net:		
Purchase of capital assets	\$ 656,435	\$ 1,593,499
Net proceeds on sale of capital assets	(5,633)	(550)
	\$ 650,802	\$ 1,592,949

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2009

12. Management of capital:

The Organization defines its capital as the amounts included in its net assets. The Organization's objective when managing its capital is to safeguard the Organization's ability to continue as a going concern so that it can continue to provide the appropriate level of benefits and services to the public. A portion of the Organization's capital is restricted for endowment purposes.

13. Investment and other income, net:

	2009	2008
Interest income	\$ 901,518	\$ 2,082,795
Dividend income	57,114	78,671
Realized gains (losses) on sale of investments	(131,058)	416,179
Unrealized gains (losses) on investments	137,964	(750,600)
Other, net	662,147	1,009,143
	<u>\$ 1,627,685</u>	<u>\$ 2,836,188</u>

14. 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 \$1,483,376 (2008 - \$1,359,198).

15. 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.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2009

15. Tax receipted donations (continued):

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 2009 is not available as at September 30, 2009; however, a substantial portion of cash revenue received will be receipted.

During fiscal 2008, the Organization issued donation receipts for income tax purposes in the amount of \$260,116,390.

16. Statement of cash flows:

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

	2009	2008
Accounts receivable	\$ 198,272	\$ (633,910)
Prepaid expenses	(760,107)	276,836
Accounts payable and accrued charges	(885,648)	(1,524,226)
Due to affiliate	140,252	(1,310,195)
Deferred contributions	3,723,924	13,671,655
	<u>\$ 2,416,693</u>	<u>\$ 10,480,160</u>

17. Fair values of financial instruments:

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued charges and due to affiliate approximate their carrying values due to the short-term maturities of these financial instruments. The fair value of investments is as disclosed in note 3.

18. Fund-raising solicitations:

Fund-raising businesses were contracted to solicit child sponsorships on behalf of the Organization. Remuneration is based on an hourly rate and during the year \$8,108,790 (2008 - \$6,105,581) was paid as remuneration to third party fund-raising businesses.

19. Comparative figures:

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