

Financial Statements of

**WORLD VISION CANADA**

Year ended September 30, 2010

# WORLD VISION CANADA

Financial Statements

Year ended September 30, 2010

---

<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, 2010 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, 2010 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.

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

November 19, 2010

# WORLD VISION CANADA

## Statement of Financial Position

September 30, 2010, with comparative figures for 2009

	2010	2009
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 19,144,955	\$ 36,857,764
Short-term investments	20,357,396	–
Accounts receivable	2,355,949	1,480,253
Prepaid expenses	1,533,558	1,700,456
	<u>43,391,858</u>	<u>40,038,473</u>
Investments (note 3)	4,770,430	4,528,203
Capital assets (note 4)	18,170,017	19,301,417
	<u>\$ 66,332,305</u>	<u>\$ 63,868,093</u>

## Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued charges	\$ 9,367,787	\$ 10,028,120
Due to affiliate (note 5)	118,705	140,252
Deferred contributions (note 7)	30,265,380	27,589,150
	<u>39,751,872</u>	<u>37,757,522</u>
Deferred capital contributions (note 9)	3,096,415	3,213,261
Net assets:		
Net investment in capital assets (note 10)	15,073,602	16,088,156
Unrestricted	7,476,821	5,885,559
Endowments	933,595	923,595
	<u>23,484,018</u>	<u>22,897,310</u>
Commitments (note 8)		
	<u>\$ 66,332,305</u>	<u>\$ 63,868,093</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, 2010, with comparative figures for 2009

	2010	2009
Revenue:		
Donations from the public:		
Child sponsorship	\$ 203,637,892	\$ 194,542,037
Non-sponsorship	105,479,404	63,293,482
Donated goods	53,970,703	62,504,374
Government grants:		
Cash:		
Canadian government	13,119,622	13,345,920
International and multilateral	4,377,440	3,858,524
Provincial and other grants	201,765	110,000
Donated goods:		
International and multilateral	33,038,655	35,489,097
Investment and other income, net (note 12)	1,818,207	1,627,685
	<u>415,643,688</u>	<u>374,771,119</u>
Expenditures:		
Program:		
International programs	330,221,948	294,103,517
Canadian programs	3,042,659	5,665,408
Public awareness and education	3,179,721	5,669,477
	<u>336,444,328</u>	<u>305,438,402</u>
Support:		
Fundraising	57,569,042	47,638,441
Administration	21,053,610	22,694,993
	<u>78,622,652</u>	<u>70,333,434</u>
	<u>415,066,980</u>	<u>375,771,836</u>
Excess of revenue over expenditures		
(expenditures over revenue)	\$ 576,708	\$ (1,000,717)

See accompanying notes to financial statements.

# WORLD VISION CANADA

## Statement of Changes in Net Assets

Year ended September 30, 2010, with comparative figures for 2009

				2010	2009
	Net investment in capital assets (note 10)	Unrestricted	Endowments	Total	Total
Net assets, beginning of year	\$ 16,088,156	\$ 5,885,559	\$ 923,595	\$ 22,897,310	\$ 23,898,027
Excess of revenue over expenditures (expenditures over revenue) (note 10)	(2,173,907)	2,750,615	–	576,708	(1,000,717)
Endowment contributions received	–	–	10,000	10,000	–
Investment in capital assets, net (note 10)	1,159,353	(1,159,353)	–	–	–
Net assets, end of year	\$ 15,073,602	\$ 7,476,821	\$ 933,595	\$ 23,484,018	\$ 22,897,310

See accompanying notes to financial statements.

# WORLD VISION CANADA

## Statement of Cash Flows

Year ended September 30, 2010, with comparative figures for 2009

	2010	2009
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures (expenditures over revenue)	\$ 576,708	\$ (1,000,717)
Items not involving cash:		
Amortization of capital assets	2,034,039	2,210,942
Amortization of deferred capital contributions	(116,846)	(116,846)
Loss on disposal of capital assets	256,714	28,690
Accrued interest on short-term investments	(116,278)	-
Unrealized gains on investments	(48,828)	(137,964)
Interest on short-term investments	(80,837)	(281,436)
Realized losses (gains) on sale of investments	(20,811)	131,058
Change in non-cash operating working capital (note 15)	1,285,552	2,416,693
	3,769,413	3,250,420
Financing activities:		
Repayment of long-term debt	-	(140,000)
Endowment contributions	10,000	-
	10,000	(140,000)
Investing activities:		
Purchase of short-term investments	(30,000,000)	-
Proceeds on sale of short-term investments	10,080,837	15,538,531
Change in investments, net	(413,706)	(151,859)
Change in due from affiliates	-	406,166
Proceeds on sale of capital assets	2,433	5,633
Purchase of capital assets	(1,161,786)	(656,435)
	(21,492,222)	15,142,036
Increase (decrease) in cash and cash equivalents	(17,712,809)	18,252,456
Cash and cash equivalents, beginning of year	36,857,764	18,605,308
Cash and cash equivalents, end of year	\$ 19,144,955	\$ 36,857,764
Supplemental cash flow information:		
Interest paid	\$ -	\$ 5,600

See accompanying notes to financial statements.

# WORLD VISION CANADA

Notes to Financial Statements

Year ended September 30, 2010

---

## **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.

Inspired by the Christian values, the Organization is dedicated to working with the world's most vulnerable people and it serves all people, regardless of religion, race, ethnicity or gender.

World Vision ("WV") is an international affiliation with offices in more than 100 countries ("WV entities"). Through this partnership and its ability to connect with local communities, the Organization helps empower communities to become sustainable.

World Vision International ("WVI") assists the Organization by facilitating the coordination, implementation and monitoring of overseas programs to ensure that funds and goods provided by WV donors are used to directly benefit people in need and especially address the needs of the child.

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.

## **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.

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, 2010

---

## 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, 2010

---

## 1. Significant accounting policies (continued):

### (d) Allocation of expenditures:

Expenses are recorded and reported by program and support services. Certain officers and employees perform a combination of program, fundraising and administrative activities; 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 been allocated based on the level of benefit received by each program and support service. Such allocations are reviewed annually, 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 and due to affiliate are classified as other financial liabilities, which are measured at amortized cost.

The Organization has adopted The Canadian Institute of Chartered Accountants' ("CICA") 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.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2010

---

## 1. Significant accounting policies (continued):

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.

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, 2010

## 2. Accounting changes:

Effective October 1, 2009, the Organization adopted the amendments to CICA Handbook Section 4470, Disclosure of Allocated Expenses by Not-for-Profit Organization, which establish disclosure standards for organizations that choose to classify their expenses by function and allocate expenses from one function to another. The applicable disclosure is included in note 19.

## 3. Investments:

	2010		2009	
	Cost	Fair value	Cost	Fair value
Canadian equities	\$ 531,233	\$ 604,405	\$ 494,010	\$ 549,842
Foreign equities	1,902,518	1,628,117	1,709,487	1,451,234
Bonds	1,956,781	2,130,898	1,995,302	2,122,612
Short-term investments	406,894	407,010	405,228	404,515
	<u>\$ 4,797,426</u>	<u>\$ 4,770,430</u>	<u>\$ 4,604,027</u>	<u>\$ 4,528,203</u>

The bonds bear a yield to maturity ranging from 3.2% to 10.75% maturing between March 2011 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, 2010

## 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. The Organization mitigates this risk through controls to monitor and limit concentration levels.

## 4. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,830,577	\$ –	\$ 3,830,577	\$ 3,830,577
Building	14,337,164	3,142,937	11,194,227	11,428,798
Information systems	6,510,114	4,953,244	1,556,870	1,785,478
Furniture and fixtures	5,317,798	3,729,455	1,588,343	2,256,564
	<u>\$ 29,995,653</u>	<u>\$ 11,825,636</u>	<u>\$ 18,170,017</u>	<u>\$ 19,301,417</u>

## 5. Related party transactions and balances:

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 \$213,088,064 (2009 - \$182,089,404) in cash and donated goods in the amount of \$87,009,358 (2009 - \$97,993,471). As at September 30, 2010, \$118,705 (2009 - \$140,252) was due to WVI. These amounts are non-interest bearing.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2010

## 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, 2010. 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, government grants and special events and other funds received, which remain unspent to September 30, 2010, as set out in the following table:

	2009	Received	Recognized as revenue	2010
Child sponsorship	\$ 15,312,784	\$ 207,619,749	\$ 203,637,892	\$ 19,294,641
Non-sponsorship:				
Donations	10,714,850	101,854,639	105,362,558	7,206,931
Amortization of deferred capital contributions (note 9)	–	116,846	116,846	–
	10,714,850	101,971,485	105,479,404	7,206,931
Government grants:				
Canadian government - The Canadian International Development Agency ("CIDA"):				
Canadian Partnership Branch	240,397	1,464,275	1,659,994	44,678
Geographic Programs Branch	–	1,000,411	964,304	36,107
Multilateral and Global Programs Branch	952,385	13,143,803	10,495,324	3,600,864
	1,192,782	15,608,489	13,119,622	3,681,649
International and multilateral	–	4,377,440	4,377,440	–
Provincial and other grants	–	234,629	201,765	32,864
Special events and other	368,734	561,737	881,176	49,295
	\$ 27,589,150	\$ 330,373,529	\$ 327,697,299	\$ 30,265,380

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

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2010

---

## 7. Deferred contributions (continued):

Deferred contributions of \$30,265,380 (2009 - \$27,589,150) include restricted cash of \$30,265,380 (2009 - \$27,493,220), which is grouped with cash and cash equivalents and short-term investments on the statement of financial position, and a receivable from CIDA of nil (2009 - \$95,930), 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, 2010:

---

2011	\$	571,000
2012		295,000
2013		107,000
2014		102,000
2015		32,000
		<hr/>
	\$	1,107,000

---

## 9. Deferred capital contributions:

---

	2010	2009
Balance, beginning of year	\$ 3,213,261	\$ 3,330,107
Less amounts amortized to revenue	116,846	116,846
Balance, end of year	<hr/> \$ 3,096,415	<hr/> \$ 3,213,261

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, 2010

## 10. Net investment in capital assets:

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

	2010	2009
Capital assets	\$ 18,170,017	\$ 19,301,417
Amounts financed by deferred capital contributions	(3,096,415)	(3,213,261)
	<u>\$ 15,073,602</u>	<u>\$ 16,088,156</u>

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

	2010	2009
Excess of expenditures over revenue:		
Amortization of deferred capital contributions related to capital assets	\$ 116,846	\$ 116,846
Amortization of capital assets	(2,034,039)	(2,210,942)
Loss on disposal of capital assets	(256,714)	(28,690)
	<u>\$ (2,173,907)</u>	<u>\$ (2,122,786)</u>
Investment in capital assets, net:		
Purchase of capital assets	\$ 1,161,786	\$ 656,435
Net proceeds on sale of capital assets	(2,433)	(5,633)
	<u>\$ 1,159,353</u>	<u>\$ 650,802</u>

## 11. 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.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2010

## 12. Investment and other income, net:

	2010	2009
Interest income	\$ 898,302	\$ 901,518
Dividend income	56,629	57,114
Realized gains (losses) on sale of investments	20,811	(131,058)
Unrealized gains on investments	48,828	137,964
Other, net	793,637	662,147
	<u>\$ 1,818,207</u>	<u>\$ 1,627,685</u>

## 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 \$1,629,197 (2009 - \$1,483,376).

## 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 2010 is not available as at September 30, 2010; however, a substantial portion of cash revenue received will be receipted.

During fiscal 2009, the Organization issued donation receipts for income tax purposes in the amount of \$256,115,549 (fiscal 2008 - \$260,116,390).

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2010

---

## 15. Statement of cash flows:

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

	2010	2009
Accounts receivable	\$ (875,696)	\$ 198,272
Prepaid expenses	166,898	(760,107)
Accounts payable and accrued charges	(660,333)	(885,648)
Due to affiliate	(21,547)	140,252
Deferred contributions	2,676,230	3,723,924
	<hr/> \$ 1,285,552	<hr/> \$ 2,416,693

## 16. Fair values of financial instruments:

The fair values of cash and cash equivalents, short-term investments, 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.

## 17. 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 \$10,589,052 (2009 - \$8,108,790) was paid as remuneration to third party fund-raising businesses.

## 18. Haiti earthquake relief:

The Government of Canada established the Haiti Earthquake Relief Fund (the "Fund") to which they make an equivalent donation for each eligible dollar raised by qualifying registered Canadian charities between January 12, 2010 and February 12, 2010. CIDA separately administers this Fund and registered Canadian charities that raise eligible donations will not receive a direct matching amount. The Organization raised eligible donations from individual donors for the period between January 12, 2010 and February 12, 2010 in the amount of \$20,114,547.

# WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2010

## 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:

	2010	2009
Programs:		
International programs	\$ 2,347,879	\$ 1,143,925
Canadian programs	272,977	71
Public awareness and education	795,661	4,757,109
	<u>\$ 3,416,517</u>	<u>\$ 5,901,105</u>
Support:		
Fundraising	\$ (1,113,621)	\$ (4,512,638)
Administration	(2,302,896)	(1,388,467)
	<u>\$ (3,416,517)</u>	<u>\$ (5,901,105)</u>

A portion of program activities, including international programs, Canadian programs and public awareness and education, are related to fundraising and administration and have been allocated as follows:

	2010	2009
Support:		
Fundraising	\$ 1,242,324	\$ 601,493
Administration	373,725	1,596,301
	<u>\$ 1,616,049</u>	<u>\$ 2,197,794</u>
Programs:		
International programs	\$ (607,572)	\$ (1,175,634)
Canadian programs	-	(40,839)
Public awareness and education	(1,008,477)	(981,321)
	<u>\$ (1,616,049)</u>	<u>\$ (2,197,794)</u>