Financial Statements of

WORLD VISION CANADA

Year ended September 30, 2015

WORLD VISION CANADA

Financial Statements

Year ended September 30, 2015

Independent Auditors' Report

Financial Statements

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of World Vision Canada

We have audited the accompanying financial statements of World Vision Canada, which comprise the statement of financial position as at September 30, 2015, the statements of revenue and expenditures, changes in net assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of World Vision Canada as at September 30, 2015, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

December 10, 2015
Toronto, Canada

WORLD VISION CANADA

Statement of Financial Position

September 30, 2015, with comparative information for 2014

	2015	2014
Assets		
Current assets:		
Cash and short-term investments	$ 40,916,357	$ 31,148,979
Accounts receivable	3,667,261	3,291,512
Due from affiliates (note 4)	179,801	–
Prepaid expenses	2,379,618	2,515,269
	47,143,037	36,955,760
Investments (note 2)	7,294,591	7,065,875
Capital assets (note 3)	17,667,659	17,633,934
	$ 72,105,287	$ 61,655,569
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued charges (note 7)	$ 11,586,784	$ 9,926,497
Due to affiliates (note 4)	–	136,684
Deferred contributions (note 6)	34,897,423	26,515,755
	46,484,207	36,578,936
Deferred capital contributions (note 8)	2,512,185	2,629,031
Net assets:		
Net investment in capital assets (note 9)	15,155,474	15,004,903
Unrestricted	6,611,622	6,182,055
Endowments	1,341,799	1,260,644
	23,108,895	22,447,602
Commitments (note 14)		
	$ 72,105,287	$ 61,655,569

See accompanying notes to financial statements.

On behalf of the Board:

____________________________ Board Chair

____________________________ Treasurer

WORLD VISION CANADA

Statement of Revenue and Expenditures

Year ended September 30, 2015, with comparative information for 2014

	2015	2014
Revenue:		
Donations:		
Child sponsorship	$ 217,717,574	$ 222,090,430
Non-sponsorship	45,015,299	47,741,896
Gifts-in-kind	67,725,654	72,494,988
Government and other grants:		
Cash (note 10)	55,803,376	43,025,365
Gifts-in-kind	54,055,000	26,116,240
Investment and other income (note 11)	2,092,942	2,073,359
	442,409,845	413,542,278
Expenditures:		
Programs:		
International programs	345,661,111	325,601,355
Canadian programs	2,427,738	2,409,870
Public awareness and education	5,251,252	6,844,109
	353,340,101	334,855,334
Support:		
Fundraising	60,891,075	54,853,428
Administration:		
Domestic	22,550,115	19,482,878
International	5,048,416	4,759,488
	27,598,531	24,242,366
	88,489,606	79,095,794
	441,829,707	413,951,128
Excess of revenue over expenditures (expenditures over revenue)	$ 580,138	$ (408,850)

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Changes in Net Assets

Year ended September 30, 2015, with comparative information for 2014

	Net investment in capital assets (note 9)	Unrestricted	Endowments	2015 Total	2014 Total
Net assets, beginning of year	$ 15,004,903	$ 6,182,055	$ 1,260,644	$ 22,447,602	$ 22,529,403
Excess of revenue over expenditures (expenditures over revenue) (note 9)	(1,729,526)	2,309,664	–	580,138	(408,850)
Endowment contributions received	–	–	81,155	81,155	327,049
Investment in capital assets, net (note 9)	1,880,097	(1,880,097)	–	–	–
Net assets, end of year	$ 15,155,474	$ 6,611,622	$ 1,341,799	$ 23,108,895	$ 22,447,602

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Cash Flows

Year ended September 30, 2015, with comparative information for 2014

	2015	2014
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures (expenditures over revenue)	$ 580,138	$ (408,850)
Items not involving cash:		
Amortization of capital assets	1,848,139	1,679,505
Amortization of deferred capital contributions	(116,846)	(116,846)
Gain on disposal of capital assets	(1,767)	(1,714)
Unrealized losses (gains) on investments	234,676	(128,824)
Realized gains on sale of investments	(195,793)	(387,170)
Change in non-cash operating working capital:		
Accounts receivable	(375,749)	212,698
Prepaid expenses	135,651	1,220,806
Accounts payable and accrued charges	1,660,287	(2,611,200)
Due to/from affiliates	(316,485)	5,150,154
Deferred contributions	8,381,668	881,999
	11,833,919	5,490,558
Financing activities:		
Endowment contributions	81,155	327,049
Investing activities:		
Change in investments, net	(267,599)	(584,052)
Net proceeds on sale of capital assets	6,767	1,714
Purchase of capital assets	(1,886,864)	(1,942,968)
	(2,147,696)	(2,525,306)
Increase in cash and short-term investments	9,767,378	3,292,301
Cash and short-term investments, beginning of year	31,148,979	27,856,678
Cash and short-term investments, end of year	$ 40,916,357	$ 31,148,979

See accompanying notes to financial statements.

Operations of the Organization:

World Vision Canada (the "Organization") is a Christian relief, development and advocacy organization incorporated under the laws of Canada as a non-profit corporation without share capital. The Organization is registered with the Canada Revenue Agency as a charitable organization (registration number 1193 04855 RR0001) and, accordingly, is exempt from income tax, provided certain requirements of the Income Tax Act (Canada) are met.

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

The Organization is part of an international affiliation ("WV") with offices in more than 100 countries around the world. Through this affiliation, the Organization is able to reach and connect with local communities to meet specific needs with the aim to overcome poverty and injustice and to empower those communities to achieve lasting and sustainable change. World Vision International ("WVI") provides coordination to all of WV by facilitating the implementation and monitoring of overseas programs to ensure that funds and goods provided by the Organization's supporters are used to directly benefit the most vulnerable people of the world, especially children.

The Organization gains support from Canadian individuals and businesses through donations, such as monthly child sponsorship, single gift and emergency relief. In addition, the Organization receives support through Canadian and other government agencies and international corporations in the form of grants and gifts-in-kind. The Organization receives unrestricted, as well as, restricted donations. All restricted donations are reviewed prior to acceptance to ensure that the gifts are consistent with the Organization's mission, purposes, values and priorities.

The Organization also recognizes that there are children living in poverty within Canada and, therefore, supports local initiatives partnering with Canadian community-based organizations ("Canadian Partners"), which are registered charitable organizations focused on working with these children.

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

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

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

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

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

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

1. Significant accounting policies (continued):

(b) Volunteer services:

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

(c) Allocation of expenditures:

(i) Programs:

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

It is recognized that certain officers and employees perform a combination of program, fundraising and administrative activities and, as a result salaries are allocated based on time dedicated to the activity. Other operating and general costs, including professional and consulting fees, advertising and promotion, travel and occupancy costs have also been allocated based on the level of benefit received by each program and support service. Allocations are reviewed annually and are updated and applied on a prospective basis. (See note 17 for allocation of expenditures).

(ii) Support:

Those expenditures incurred for administrative and fundraising purposes.

(d) Financial instruments:

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

1. Significant accounting policies (continued):

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

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

(e) Capital assets:

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

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

(f) Translation of foreign currencies:

Assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at exchange rates prevailing at the year-end date. 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.

1. Significant accounting policies (continued):

(g) Use of estimates:

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

2. Investments:

	2015		2014	
	Cost	Fair value	Cost	Fair value
Canadian equities	$ 1,272,920	$ 1,271,407	$ 707,163	$ 950,916
Foreign equities	1,227,428	1,584,731	1,333,844	1,697,510
Bonds	3,437,611	3,514,647	3,347,824	3,421,281
Short-term investments	893,477	923,806	979,213	996,168
	$ 6,831,436	$ 7,294,591	$ 6,368,044	$ 7,065,875

The bonds bear a yield to maturity ranging from 1.25% to 10.95% (2014 - 1.70% to 10.95%) maturing between December 2015 and November 2023 (2014 - November 2014 and November 2023).

(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.

2. 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.

3. Capital assets:

	Cost	Accumulated amortization	2015 Net book value	2014 Net book value
Land	$ 3,830,577	$ –	$ 3,830,577	$ 3,830,577
Building	15,866,531	5,300,917	10,565,614	10,430,947
Information systems	5,890,248	3,826,870	2,063,378	2,081,793
Furniture and fixtures	6,181,444	4,973,354	1,208,090	1,290,617
	$ 31,768,800	$ 14,101,141	$ 17,667,659	$ 17,633,934

4. Related party transactions and balances:

During the year, the Organization provided funding to WV of $203,320,467 (2014 - $209,048,467) in cash and $123,878,316 (2014 - $100,617,400) in the form of donated goods. As at September 30, 2015, $179,801 was due from WV (2014 - $136,684 was due to WV). These amounts are non-interest bearing.

5. 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 does not have an outstanding balance against the operating loan as at September 30, 2015 (2014 - $25,000). 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.

6. 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, 2015 as set out in the following table:

	2014	Received	Recognized as revenue	2015
Child sponsorship	$ 12,955,910	$ 219,085,161	$ 217,717,574	$ 14,323,497
Non-sponsorship:				
Donations	9,873,222	48,306,066	44,898,453	13,280,835
Amortization of deferred capital contributions (note 8)	–	116,846	116,846	–
	9,873,222	48,422,912	45,015,299	13,280,835
Government and other grants	3,624,448	59,348,282	55,803,376	7,169,354
Special events and other	62,175	570,596	509,034	123,737
	$ 26,515,755	$ 327,426,951	$ 319,045,283	$ 34,897,423

Deferred contributions recognized as revenue are included in child sponsorship, non-sponsorship and government and other grants on the statement of revenue and expenditures.

Deferred contributions of $34,897,423 (2014 - $26,515,755) include restricted cash of $34,751,541 (2014 - $26,402,788), which is grouped with cash and short-term investments on the statement of financial position and a receivable from Global Affairs Canada ("GAC"), previously Department of Foreign Affairs, Trade and Development Canada, of $145,882 (2014 - $112,967), which is grouped with accounts receivable on the statement of financial position.

7. Accounts payable and accrued charges:

Included in accounts payable and accrued charges are government remittances payable of $122,170 (2014 - $73,316), which includes amounts payable for harmonized sales tax and payroll-related taxes.

8. Deferred capital contributions:

	2015	2014
Balance, beginning of year	$ 2,629,031	$ 2,745,877
Less amounts amortized to revenue	116,846	116,846
Balance, end of year	$ 2,512,185	$ 2,629,031

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

9. Net investment in capital assets:

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

	2015	2014
Capital assets	$ 17,667,659	$ 17,633,934
Amounts financed by deferred capital contributions	(2,512,185)	(2,629,031)
	$ 15,155,474	$ 15,004,903

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

	2015	2014
Excess of expenditures over revenue:		
Amortization of deferred capital contributions related to capital assets	$ 116,846	$ 116,846
Amortization of capital assets	(1,848,139)	(1,679,505)
Gain on disposal of capital assets	1,767	1,714
	$ (1,729,526)	$ (1,560,945)
Investment in capital assets, net:		
Purchase of capital assets	$ 1,886,864	$ 1,942,968
Net proceeds on sale of capital assets	(6,767)	(1,714)
	$ 1,880,097	$ 1,941,254

10. Government and other grants - cash:

	2015	2014
GAC	$ 37,294,774	$ 31,918,200
Manitoba Council for International Cooperation	120,000	165,000
World Food Programme	8,855,777	6,867,031
World Health Organization	2,854,483	1,673,315
Crown Agents Limited	3,631,728	1,262,761
Other non-governmental organizations	3,046,614	1,139,058
	$ 55,803,376	$ 43,025,365

11. Investment and other income:

	2015	2014
Interest income	$ 428,083	$ 669,339
Dividend income	29,414	67,706
Realized gains on sale of investments	195,793	387,170
Unrealized gains (losses) on investments	(234,676)	128,824
Other	1,674,328	820,320
	$ 2,092,942	$ 2,073,359

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 $1,787,180 (2014 - $1,754,324).

13. Fair values of financial instruments:

The fair values of cash and short-term investments, accounts receivable, accounts payable and accrued charges and due to/from affiliates approximate their carrying values due to the short-term maturities of these financial instruments. The fair value of investments is as disclosed in note 2.

14. Commitments:

The Organization received funding from GAC to support projects in various countries. The funding is dependent upon agreements, which require, in some cases, that the Organization contribute to the project(s) a set percentage in the form of cash and/or in-kind. Future payments consisted of the following at September 30, 2015:

2016	$ 1,406,106
2017	1,213,424
2018	109,500
	$ 2,729,030

The Organization has certain agreements to lease premises and office equipment. Future minimum payments under non-cancellable leases consisted of the following at September 30, 2015:

2016	$ 354,000
2017	323,000
2018	204,000
2019	88,000
2020	88,000
Thereafter	162,000
	$ 1,219,000

15. 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.

16. Fundraising solicitations:

Fundraising businesses were contracted to solicit donations, primarily focused on monthly child sponsorships, on behalf of the Organization. Remuneration is based on an hourly rate and during the year $15,885,738 (2014 - $13,792,835) was paid as remuneration to third party fundraising businesses.

17. 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:

	2015	2014
Programs:		
International programs	$ 1,999,709	$ 2,846,629
Public awareness and education	3,397,170	3,126,554
	$ 5,396,879	$ 5,973,183
Support:		
Fundraising	$ (3,251,036)	$ (3,016,262)
Administration	(2,145,843)	(2,956,921)
	$ (5,396,879)	$ (5,973,183)

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

	2015	2014
Support:		
Fundraising	$ 405,107	$ 491,995
Administration	423,374	454,296
	$ 828,481	$ 946,291
Programs:		
International programs	$ (288,656)	$ (301,857)
Public awareness and education	(539,825)	(644,434)
	$ (828,481)	$ (946,291)