

Financial Statements of

WORLD VISION CANADA

Year ended September 30, 2014

WORLD VISION CANADA

Financial Statements

Year ended September 30, 2014

Independent Auditors' Report

Financial Statements

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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, 2014, 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, 2014, 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.

Chartered Professional Accountants, Licensed Public Accountants

December 11, 2014
Toronto, Canada

WORLD VISION CANADA

Statement of Financial Position

September 30, 2014, with comparative information for 2013


	2014	2013
Assets		
Current assets:		
Cash and short-term investments	\$ 31,148,979	\$ 27,856,678
Accounts receivable	3,291,512	3,504,210
Due from affiliates (note 4)	-	5,013,470
Prepaid expenses	2,515,269	3,736,075
	<u>36,955,760</u>	<u>40,110,433</u>
Investments (note 2)	7,065,875	5,965,829
Capital assets (note 3)	17,633,934	17,370,471
	<u>\$ 61,655,569</u>	<u>\$ 63,446,733</u>

Liabilities and Net Assets

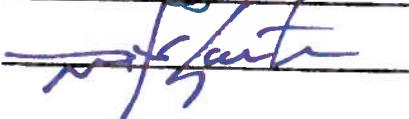
Current liabilities:		
Accounts payable and accrued charges (note 7)	\$ 9,926,497	\$ 12,537,697
Due to affiliates (note 4)	136,684	-
Deferred contributions (note 6)	26,515,755	25,633,756
	<u>36,578,936</u>	<u>38,171,453</u>
Deferred capital contributions (note 8)	2,629,031	2,745,877
Net assets:		
Net investment in capital assets (note 9)	15,004,903	14,624,594
Unrestricted	6,182,055	6,971,214
Endowments	1,260,644	933,595
	<u>22,447,602</u>	<u>22,529,403</u>
Commitments (note 14)		
	<u>\$ 61,655,569</u>	<u>\$ 63,446,733</u>

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, 2014, with comparative information for 2013

	2014	2013
Revenue:		
Donations:		
Child sponsorship	\$ 222,090,430	\$ 225,663,722
Non-sponsorship	47,741,896	44,057,500
Gifts-in-kind	72,494,988	75,176,823
Government and other grants:		
Cash (note 10)	43,025,365	21,616,643
Gifts-in-kind	26,116,240	21,874,641
Investment and other income (note 11)	2,073,359	2,134,192
	413,542,278	390,523,521
Expenditures:		
Programs:		
International programs	325,601,355	302,223,076
Canadian programs	2,409,870	2,752,684
Public awareness and education	6,844,109	6,281,443
	334,855,334	311,257,203
Support:		
Fundraising	54,853,428	55,476,393
Administration:		
Domestic	19,482,878	20,415,301
International	4,759,488	4,463,468
	24,242,366	24,878,769
	79,095,794	80,355,162
	413,951,128	391,612,365
Excess of expenditures over revenue	\$ (408,850)	\$ (1,088,844)

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Changes in Net Assets

Year ended September 30, 2014, with comparative information for 2013

				2014	2013
	Net investment in capital assets (note 9)	Unrestricted	Endowments	Total	Total
Net assets, beginning of year	\$ 14,624,594	\$ 6,971,214	\$ 933,595	\$ 22,529,403	\$ 23,618,247
Excess of revenue over expenditures (expenditures over revenue) (note 9)	(1,560,945)	1,152,095	-	(408,850)	(1,088,844)
Endowment contributions received	-	-	327,049	327,049	-
Investment in capital assets, net (note 9)	1,941,254	(1,941,254)	-	-	-
Net assets, end of year	\$ 15,004,903	\$ 6,182,055	\$ 1,260,644	\$ 22,447,602	\$ 22,529,403

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Cash Flows

Year ended September 30, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operating activities:		
Excess of expenditures over revenue	\$ (408,850)	\$ (1,088,844)
Items not involving cash:		
Amortization of capital assets	1,679,505	1,526,444
Amortization of deferred capital contributions	(116,846)	(116,846)
Gain on disposal of capital assets	(1,714)	(31,855)
Unrealized gains on investments	(128,824)	(548,477)
Realized gains on sale of investments	(387,170)	(145,506)
Change in non-cash operating working capital:		
Accounts receivable	212,698	(669,028)
Prepaid expenses	1,220,806	(1,531,196)
Accounts payable and accrued charges	(2,611,200)	4,168,151
Due to/from affiliates	5,150,154	(4,965,198)
Deferred contributions	881,999	3,209,040
	5,490,558	(193,315)
Financing activities:		
Endowment contributions	327,049	-
Investing activities:		
Change in investments, net	(584,052)	(154,384)
Net proceeds on sale of capital assets	1,714	31,855
Purchase of capital assets	(1,942,968)	(1,666,685)
	(2,525,306)	(1,789,214)
Increase (decrease) in cash and short-term investments	3,292,301	(1,982,529)
Cash and short-term investments, beginning of year	27,856,678	29,839,207
Cash and short-term investments, end of year	\$ 31,148,979	\$ 27,856,678

See accompanying notes to financial statements.

WORLD VISION CANADA

Notes to Financial Statements

Year ended September 30, 2014

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 Christian values, the Organization is dedicated to working with the world's most vulnerable people and 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 not-for-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, 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.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

1. Significant accounting policies (continued):

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 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, realized gains on sale of investments and change in unrealized gains 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 with a portion functionally allocated as international administration costs.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

1. Significant accounting policies (continued):

(d) Allocation of expenditures:

Expenditures 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) 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.

Transaction costs related to the purchase of investments are included in the fair value on the statements 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 statements 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.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

1. Significant accounting policies (continued):

(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% - 20.0%
Information systems	20.0% - 33.3%
Furniture and fixtures	10.0% - 20.0%

(g) 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.

(h) 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:

	2014		2013	
	Cost	Fair value	Cost	Fair value
Canadian equities	\$ 707,163	\$ 950,916	\$ 717,586	\$ 929,667
Foreign equities	1,333,844	1,697,510	2,072,197	2,303,377
Bonds	3,347,824	3,421,281	2,390,555	2,453,424
Short-term investments	979,213	996,168	279,301	279,361
	<u>\$ 6,368,044</u>	<u>\$ 7,065,875</u>	<u>\$ 5,459,639</u>	<u>\$ 5,965,829</u>

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

2. Investments (continued):

The bonds bear a yield to maturity ranging from 1.70% to 10.95% maturing between 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.

(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.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

3. Capital assets:

			2014	2013
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,830,577	\$ -	\$ 3,830,577	\$ 3,830,577
Building	15,270,392	4,839,445	10,430,947	10,586,535
Information systems	5,487,040	3,405,247	2,081,793	1,753,914
Furniture and fixtures	5,986,719	4,696,102	1,290,617	1,199,445
	<u>\$ 30,574,728</u>	<u>\$ 12,940,794</u>	<u>\$ 17,633,934</u>	<u>\$ 17,370,471</u>

4. Related party transactions and balances:

During the year, the Organization provided funding to WV of \$209,048,467 (2013 - \$187,449,542) in cash and \$100,617,400 (2013 - \$96,942,149) in the form of donated goods. As at September 30, 2014, \$136,684 was due to WV (2013 - \$5,013,470 was due from 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 has a \$25,000 outstanding balance against the operating loan as of September 30, 2014 (2013 - \$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.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

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, 2014 as set out in the following table:

	2013	Received	Recognized as revenue	2014
Child sponsorship	\$ 12,264,796	\$ 222,781,544	\$ 222,090,430	\$ 12,955,910
Non-sponsorship:				
Donations	6,567,202	50,931,070	47,625,050	9,873,222
Amortization of deferred capital contributions (note 8)	–	116,846	116,846	–
	6,567,202	51,047,916	47,741,896	9,873,222
Government and other grants	6,583,827	40,065,986	43,025,365	3,624,448
Special events and other	217,931	360,457	516,213	62,175
	<u>\$ 25,633,756</u>	<u>\$ 314,255,903</u>	<u>\$ 313,373,904</u>	<u>\$ 26,515,755</u>

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 \$26,515,755 (2013 - \$25,633,756) include restricted cash of \$26,402,788 (2013 - \$25,483,890), which is grouped with cash and short-term investments on the statement of financial position and a receivable from Department of Foreign Affairs, Trade and Development Canada ("DFATD") of \$112,967 (2013 - \$149,866), 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 \$73,316 (2013 - \$98,195), which includes amounts payable for harmonized sales tax and payroll-related taxes.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

8. Deferred capital contributions:

	2014	2013
Balance, beginning of year	\$ 2,745,877	\$ 2,862,723
Less amounts amortized to revenue	116,846	116,846
Balance, end of year	\$ 2,629,031	\$ 2,745,877

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:

	2014	2013
Capital assets	\$ 17,633,934	\$ 17,370,471
Amounts financed by deferred capital contributions	(2,629,031)	(2,745,877)
	\$ 15,004,903	\$ 14,624,594

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

	2014	2013
Excess of expenditures over revenue:		
Amortization of deferred capital contributions related to capital assets	\$ 116,846	\$ 116,846
Amortization of capital assets	(1,679,505)	(1,526,444)
Gain on disposal of capital assets	1,714	31,855
	\$ (1,560,945)	\$ (1,377,743)
Investment in capital assets, net:		
Purchase of capital assets	\$ 1,942,968	\$ 1,666,685
Net proceeds on sale of capital assets	(1,714)	(31,855)
	\$ 1,941,254	\$ 1,634,830

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

10. Government and other grants - cash:

	2014	2013
DFATD	\$ 31,918,200	\$ 12,441,268
Manitoba Council for International Cooperation	165,000	120,000
World Food Programme	6,867,031	6,417,696
World Health Organization	1,673,315	690,730
Other non-governmental organizations	2,401,819	1,946,949
	<u>\$ 43,025,365</u>	<u>\$ 21,616,643</u>

11. Investment and other income:

	2014	2013
Interest income	\$ 669,339	\$ 738,420
Dividend income	67,706	23,327
Realized gains on sale of investments	387,170	145,506
Unrealized gains on investments	128,824	548,477
Other	820,320	678,462
	<u>\$ 2,073,359</u>	<u>\$ 2,134,192</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 \$1,754,324 (2013 - \$1,762,897).

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 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.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

14. Commitments:

The Organization has certain agreements to lease premises and office 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, 2014:

2015	\$	367,000
2016		352,000
2017		320,000
2018		203,000
2019		88,000
Thereafter		250,000
		<hr/>
	\$	1,580,000

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 child sponsorships, on behalf of the Organization. Remuneration is based on an hourly rate, and during the year, \$13,792,835 (2013 - \$13,887,185) was paid as remuneration to third party fundraising businesses.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

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:

	2014	2013
Programs:		
International programs	\$ 2,846,629	\$ 2,652,208
Public awareness and education	3,126,554	2,620,557
	<u>\$ 5,973,183</u>	<u>\$ 5,272,765</u>
Support:		
Fundraising	\$ (3,016,262)	\$ (2,975,825)
Administration	(2,956,921)	(2,296,940)
	<u>\$ (5,973,183)</u>	<u>\$ (5,272,765)</u>

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:

	2014	2013
Support:		
Fundraising	\$ 491,995	\$ 989,508
Administration	454,296	654,064
	<u>\$ 946,291</u>	<u>\$ 1,643,572</u>
Programs:		
International programs	\$ (301,857)	\$ (461,482)
Public awareness and education	(644,434)	(1,182,090)
	<u>\$ (946,291)</u>	<u>\$ (1,643,572)</u>

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2014

18. DFATD disclosures:

Typhoon Haiyan Relief Fund 2013:

The Government of Canada established the Typhoon Haiyan Relief Fund 2013 to which they made an equivalent donation for each eligible dollar raised by qualifying registered Canadian charities from November 9, 2013 to December 23, 2013. DFATD separately administers the Typhoon Haiyan Relief Fund 2013, and registered Canadian charities that raise eligible donations will not receive a direct matching amount. The Organization raised eligible donations for the period from November 9, 2013 to December 23, 2013 in the amount of \$6,878,798.

19. Comparative information:

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