

Financial Statements of

WORLD VISION CANADA

Year ended September 30, 2012

WORLD VISION CANADA

Financial Statements

Year ended September 30, 2012

Independent Auditors' Report

Financial Statements

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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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of World Vision Canada

Report on the Financial Statements

We have audited the accompanying financial statements of World Vision Canada, which comprise the statement of financial position as at September 30, 2012, 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 generally accepted accounting principles, 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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of World Vision Canada as at September 30, 2012, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Report on Other Legal and Regulatory Requirements

As required by the Canada Corporations Act, we report that, in our opinion, the accounting policies applied in preparing and presenting the financial statements in accordance with Canadian generally accepted accounting principles have been applied on a basis consistent with that of the preceding year.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

December 13, 2012
Toronto, Canada

WORLD VISION CANADA

Statement of Financial Position

September 30, 2012, with comparative figures for 2011

	2012	2011
Assets		
Current assets:		
Cash and short-term investments	\$ 29,839,207	\$ 44,541,967
Accounts receivable	2,835,182	2,864,127
Due from affiliates (note 4)	48,272	150,248
Prepaid expenses	2,204,879	2,018,644
	<u>34,927,540</u>	<u>49,574,986</u>
Investments (note 2)	5,117,462	4,705,652
Capital assets (note 3)	17,230,230	17,931,278
	<u>\$ 57,275,232</u>	<u>\$ 72,211,916</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued charges	\$ 8,369,546	\$ 10,127,474
Deferred contributions (note 6)	22,424,716	34,685,384
	<u>30,794,262</u>	<u>44,812,858</u>
Deferred capital contributions (note 8)	2,862,723	2,979,569
Net assets:		
Net investment in capital assets (note 9)	14,367,507	14,951,709
Unrestricted	8,317,145	8,534,185
Endowments	933,595	933,595
	<u>23,618,247</u>	<u>24,419,489</u>
Commitments (note 7)		
	<u>\$ 57,275,232</u>	<u>\$ 72,211,916</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, 2012, with comparative figures for 2011

	2012	2011
Revenue:		
Donations:		
Child sponsorship	\$ 222,366,710	\$ 215,869,175
Non-sponsorship	61,049,862	69,365,450
Gifts-in-kind	60,521,874	63,052,660
Government and other grants:		
Cash (note 10)	22,873,876	21,424,565
Gifts-in-kind	30,920,569	27,239,370
Investment and other income (note 11)	1,669,680	1,261,975
	<u>399,402,571</u>	<u>398,213,195</u>
Expenditures:		
Programs:		
International programs	317,965,177	315,162,572
Canadian programs	3,364,564	2,642,811
Public awareness and education	3,512,634	3,187,794
	<u>324,842,375</u>	<u>320,993,177</u>
Support:		
Fundraising	54,827,710	57,059,688
Administration	20,533,728	19,224,859
	<u>75,361,438</u>	<u>76,284,547</u>
	<u>400,203,813</u>	<u>397,277,724</u>
Excess of revenue over expenditures		
(expenditures over revenue)	\$ (801,242)	\$ 935,471

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Changes in Net Assets

Year ended September 30, 2012, with comparative figures for 2011

				2012	2011
	Net investment in capital assets (note 9)	Unrestricted	Endowments	Total	Total
Net assets, beginning of year	\$ 14,951,709	\$ 8,534,185	\$ 933,595	\$ 24,419,489	\$ 23,484,018
Excess of revenue over expenditures (expenditures over revenue) (note 9)	(1,329,223)	527,981	—	(801,242)	935,471
Investment in capital assets, net (note 9)	745,021	(745,021)	—	—	—
Net assets, end of year	\$ 14,367,507	\$ 8,317,145	\$ 933,595	\$ 23,618,247	\$ 24,419,489

See accompanying notes to financial statements.

WORLD VISION CANADA

Statement of Cash Flows

Year ended September 30, 2012, with comparative figures for 2011

	2012	2011
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenditures (expenditures over revenue)	\$ (801,242)	\$ 935,471
Items not involving cash:		
Amortization of capital assets	1,446,538	1,819,108
Amortization of deferred capital contributions	(116,846)	(116,846)
Loss (gain) on disposal of capital assets	(469)	47,397
Unrealized losses (gains) on investments	(317,994)	333,286
Realized losses (gains) on sale of investments	57,556	(90,596)
Change in non-cash operating working capital:		
Accounts receivable	28,945	(508,178)
Prepaid expenses	(186,235)	(485,086)
Accounts payable and accrued charges	(1,757,928)	759,687
Due to/from affiliates	101,976	(268,953)
Deferred contributions	(12,260,668)	4,420,004
	<u>(13,806,367)</u>	<u>6,845,294</u>
Investing activities:		
Change in investments, net	(151,372)	(177,912)
Net proceeds on sale of capital assets	469	9,376
Purchase of capital assets	(745,490)	(1,637,142)
	<u>(896,393)</u>	<u>(1,805,678)</u>
Increase (decrease) in cash and short-term investments	(14,702,760)	5,039,616
Cash and short-term investments, beginning of year	44,541,967	39,502,351
Cash and short-term investments, end of year	<u>\$ 29,839,207</u>	<u>\$ 44,541,967</u>

See accompanying notes to financial statements.

WORLD VISION CANADA

Notes to Financial Statements

Year ended September 30, 2012

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 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, 2012

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, realized gains (losses) 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, 2012

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 other than investments:

Cash and short-term investments are designated as held-for-trading, which are measured at fair value. Accounts receivable and due from affiliates are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued charges 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.

(f) 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, 2012

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.

(g) 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%

(h) 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.

(i) 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, 2012

2. Investments:

	2012		2011	
	Cost	Fair value	Cost	Fair value
Canadian equities	\$ 712,063	\$ 830,218	\$ 596,526	\$ 621,821
Foreign equities	2,131,879	1,856,482	2,170,269	1,622,114
Bonds	1,846,563	1,963,378	1,831,525	1,993,664
Short-term investments	469,245	467,384	467,614	468,053
	<u>\$ 5,159,750</u>	<u>\$ 5,117,462</u>	<u>\$ 5,065,934</u>	<u>\$ 4,705,652</u>

The bonds bear a yield to maturity ranging from 0.50% to 10.95% maturing between December 2012 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, 2012

3. Capital assets:

			2012	2011
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 3,830,577	\$ –	\$ 3,830,577	\$ 3,830,577
Building	14,873,071	3,951,934	10,921,137	11,342,078
Information systems	5,911,490	4,498,364	1,413,126	1,550,945
Furniture and fixtures	5,594,315	4,528,925	1,065,390	1,207,678
	\$ 30,209,453	\$ 12,979,223	\$ 17,230,230	\$ 17,931,278

4. 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 \$207,604,598 (2011 - \$205,795,108) in cash and donated goods in the amount of \$91,373,342 (2011 - \$90,292,030). As at September 30, 2012, \$48,272 (2011 - \$150,248) was due from WVI. 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 no outstanding balances against the operating loan as of September 30, 2012. 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, 2012

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, 2012 as set out in the following table:

	2011	Received	Recognized as revenue	2012
Child sponsorship	\$ 15,597,590	\$ 220,508,131	\$ 222,366,710	\$ 13,739,011
Non-sponsorship:				
Donations	12,483,920	54,160,818	60,933,016	5,711,722
Amortization of deferred capital contributions (note 8)	—	116,846	116,846	—
	12,483,920	54,277,664	61,049,862	5,711,722
Government and other grants	6,542,534	19,228,525	22,873,876	2,897,183
Special events and other	61,340	504,577	489,117	76,800
	<u>\$ 34,685,384</u>	<u>\$ 294,518,897</u>	<u>\$ 306,779,565</u>	<u>\$ 22,424,716</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 \$22,424,716 (2011 - \$34,685,384) include restricted cash of \$22,424,716 (2011 - \$34,385,384), which is grouped with cash and short-term investments on the statement of financial position.

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2012

7. 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, 2012:

2013	\$	394,000
2014		294,000
2015		292,000
2016		292,000
Thereafter		624,000
	\$	1,896,000

8. Deferred capital contributions:

	2012	2011
Balance, beginning of year	\$ 2,979,569	\$ 3,096,415
Less amounts amortized to revenue	116,846	116,846
Balance, end of year	\$ 2,862,723	\$ 2,979,569

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:

	2012	2011
Capital assets	\$ 17,230,230	\$ 17,931,278
Amounts financed by deferred capital contributions	(2,862,723)	(2,979,569)
	\$ 14,367,507	\$ 14,951,709

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2012

9. Net investment in capital assets (continued):

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

	2012	2011
Excess of expenditures over revenue:		
Amortization of deferred capital contributions related to capital assets	\$ 116,846	\$ 116,846
Amortization of capital assets	(1,446,538)	(1,819,108)
Gain (loss) on disposal of capital assets	469	(47,397)
	<u>\$ (1,329,223)</u>	<u>\$ (1,749,659)</u>
Investment in capital assets, net:		
Purchase of capital assets	\$ 745,490	\$ 1,637,142
Net proceeds on sale of capital assets	(469)	(9,376)
	<u>\$ 745,021</u>	<u>\$ 1,627,766</u>

10. Government and other grants - cash:

	2012	2011
Canadian International Development Agency	\$ 15,151,285	\$ 15,753,853
Department of Foreign Affairs and International Trade	341,516	421,935
Manitoba Council for International Cooperation	120,000	120,000
World Food Programme	4,941,839	3,971,170
World Health Organization	711,302	460,682
Other non-governmental organizations	1,607,934	696,925
	<u>\$ 22,873,876</u>	<u>\$ 21,424,565</u>

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2012

11. Investment and other income:

	2012	2011
Interest income	\$ 805,046	\$ 919,725
Dividend income	12,169	9,855
Realized gains (losses) on sale of investments	(57,556)	90,596
Unrealized gains (losses) on investments	317,994	(333,286)
Other	592,027	575,085
	<u>\$ 1,669,680</u>	<u>\$ 1,261,975</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 contribution paid and expensed by the Organization for the year amounted to \$1,679,285 (2011 - \$1,753,532).

13. Fair values of financial instruments:

The fair values of cash and short-term investments, accounts receivable, accounts payable and accrued charges and due 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. 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, 2012

15. Fundraising solicitations:

Fundraising businesses were contracted to solicit child sponsorships on behalf of the Organization. Remuneration is based on an hourly rate and, during the year, \$11,547,085 (2011 - \$11,425,533) was paid as remuneration to third party fundraising businesses.

16. 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:

	2012	2011
Programs:		
International programs	\$ 2,009,180	\$ 2,619,485
Canadian programs	–	272,856
Public awareness and education	1,871,158	1,378,448
	<u>\$ 3,880,338</u>	<u>\$ 4,270,789</u>
Support:		
Fundraising	\$ (2,463,038)	\$ (2,049,786)
Administration	(1,417,300)	(2,221,003)
	<u>\$ (3,880,338)</u>	<u>\$ (4,270,789)</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:

	2012	2011
Support:		
Fundraising	\$ 689,436	\$ 1,082,693
Administration	1,206,253	298,841
	<u>\$ 1,895,689</u>	<u>\$ 1,381,534</u>
Programs:		
International programs	\$ (839,517)	\$ (513,613)
Public awareness and education	(1,056,172)	(867,921)
	<u>\$ (1,895,689)</u>	<u>\$ (1,381,534)</u>

WORLD VISION CANADA

Notes to Financial Statements (continued)

Year ended September 30, 2012

17. Canadian International Development Agency ("CIDA") disclosures:

Sahel food and nutrition crisis relief:

The Government of Canada established the Sahel Food and Nutrition Crisis Relief Fund to which they make an equivalent donation for each eligible dollar raised by qualifying registered Canadian charities between August 7, 2012 and September 30, 2012. CIDA separately administers the Sahel Food and Nutrition Crisis Relief 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 August 7, 2012 and September 30, 2012 in the amount of \$583,439.