

CHARLIE FLUIT, CPA, CA  
CHIEF FINANCIAL OFFICER

## Introduction

This Annual Impact Report and financial overview cover World Vision Canada's 2016 fiscal year, October 1, 2015 to September 30, 2016.

## Key Points

- Total revenues topped \$445 million, the highest revenue in our history.
- Five-year Support costs (Fundraising and Administration) were unchanged at 19.5%.
- Stable cash reserves provide sustainable funding for programs and operating cash flows.

## Financial Highlights

World Vision's financial statements outline the results of our activities for the year in the Statement of Revenue and Expenditures, as well as our Financial Position as at September 30, 2016. The financial statements in this online annual impact report are summarized. The comments below refer to the [complete audited financial statements](#), which can be accessed online or by calling 1-800-268-4888.

## Revenue

Total Revenues increased by 0.8% due to increased Grant activity. They were 15.5% over budget, largely the result of unexpected Gifts-in-Kind, a weaker Canadian dollar and increased cash grants.

### PLEDGES COLLECTED AND SINGLE GIFTS

We have enhanced our disclosure for Cash Donations, breaking it down into two major categories, namely, Pledges collected and Single gifts. Two categories of **Pledges** are noted:

- **Child sponsorship** is our ongoing monthly pledge program supporting community development. Donations of \$202.1 million were given for over 454,000 children and their communities. This was a decline of 6.0% from the prior year due to fewer child sponsors and an increase in deferred contributions. The year started with fewer child sponsors and 2016 continued to be a challenging environment. We acquired 23.7% fewer child sponsors than in the prior year. Also, cancellations of existing sponsors increased 4.3% due to the Government of Laos no longer permitting child sponsorship.
- **Other** represents regular pledges not directly connected to the sponsorship of a child. While smaller in scale than sponsorship, this category is an area of innovation and grew by 8.7%. These pledges support things like water programs and fragile state countries. They allowed people who used to sponsor Laotian children to continue their support with a gift to help the community as a whole.

**Single gifts** are reported in the context of the sector they support, namely Development and Emergency Relief. These donations increased by 7.0% and are given via direct mail, gift catalogue, 30 Hour Famine, planned giving and special events. Development revenues increased 26.6% due to timing of program delivery while Emergency Relief declined 62.0% as the prior year included the one-time response to the Nepal Earthquake.

**Gifts-in-kind** are non-cash donations from various corporate donors and a multilateral donor, the [United Nations World Food Programme](#). Corporate Gifts-in-kind decreased 14.2% as part of an intentional move to increase diversification of our revenues. Revenue from the World Food Programme increased by 20.0% due to higher volumes and, relatively speaking, a weaker Canadian dollar.

**Grant** revenue includes funding from [Global Affairs Canada](#), [United Nations World Food Programme](#), [World Health Organization](#) and a growing number of other organizations. Higher volumes, new partners and a weaker Canadian dollar combined to increase this revenue by 23.3%.

**Investment and other income** decreased by 58.8% due to currency movements during the year.

## Expenditures

### PROGRAMS

In 2016 our revenues supported programs that combat poverty and help children and communities in need. [More information on how our program dollars were spent this year is available here.](#)

- **Canadian programs** were down 11.4% as we decreased the amounts given to each of our partners.
- **International programs** expenditures increased 2.5% to \$354.2 million, as lower corporate Gifts-in-kind and Single gifts – Emergency relief were offset by higher Grants and Multi-Lateral Gifts-in-kind.
- **Public awareness and education** expenditures increased 7.8% due largely to an increased presence in French Canada.

### SUPPORT COSTS (FUNDRAISING AND ADMINISTRATION)

Support costs increased by 2.4% over the prior year. Fundraising costs decreased 8.1% as there were fewer opportunities for effective fundraising. Although we would prefer to have spent more in order to help more children, we will only do that when favourable results can be achieved. Administrative costs were essentially flat in Canada.

Internationally, the costs were also basically flat in U.S. dollars but increased due to the weaker Canadian dollar. Consequently, the International component went up 14.4%.

We report on a five-year average (currently 19.5% for us) thereby reducing the impact of one-time events and being more indicative of past operations. This rate is unchanged from the prior year.

## Excess of Revenue over Expenditures

The \$0.4 million Excess of expenditures over revenue shown in the Statement of Revenue and Expenditures is 0.1% of total revenue. This reflects normal variations in the timing of revenues and expenditures.

## Statement of Financial Position

There are two major shifts on the Statement of Financial Position.

- The first was a decrease in Cash and short-term investments from \$40.9 million to \$38.9 million. This is directly related to the decrease in deferred contributions of Single gifts. Deferred revenues are funds received but programmed after year end. Of the total \$38.9 million, \$33.6 million is designated to specific programs, with the balance being available to support both program and cash-flow requirements.
- The second shift is a Social investment note payable at \$200,000. In this innovative venture, a Canadian family foundation has lent funds that will in turn be lent to World Vision International's (WVI) microfinance wing, VisionFund International, on similar terms as a program-related investment for small business lending in Sri Lanka.

These short-term investments are professionally managed by our staff, in consultation with the Global Treasury team at World Vision International, as part of our ongoing efforts to leverage economies of scale and further increase value to our programs.

## Reserves

There is much discussion and a wide range of definitions and calculations on reserve levels for charitable organizations. There is no consensus on what reserve levels are appropriate. Our leadership and [Board of Directors](#) have developed a balanced approach that is appropriate for our program model and context.

World Vision Canada has \$33.6 million in deferred contributions, \$5.9 million in unrestricted net assets and \$1.3 million in endowments for a total of \$40.8 million. Our cash spending (not including Gifts-in-kind) was \$320.5 million. Based on these figures, we had one to two months of reserves on hand.

Given that some of our work involves responding to immediate humanitarian concerns, whether caused by conflict or natural disasters and where lives are at risk, we find this to be the most responsible level of reserves. It balances the need to put the money to work in a timely manner, while ensuring sufficient cash to meet the programming and operating needs of the organization, even during a downturn.

A unique feature of World Vision Canada is that sponsors provide monthly contributions for 454,000 child sponsorship. These donors provide an extremely reliable base of monthly financial support which we are able to accurately forecast and rely upon. Consequently, we have no need to set aside and save larger sums of money and, given the ongoing and immediate needs in our programs, we put the money to work as soon as possible.

## Planning and Budgeting

The 2013-2016 Strategic Plan, developed with input from all stakeholders, was approved by the Board of Directors in 2012. This document provided our direction and priorities over the four-year period.

The centre of this strategy was Child Well-Being, supported by four strategic goals:

- **Change Children's Lives:** We support and show real and lasting change for children and their communities.
- **Deepen Supporter Engagement:** We grow and deepen relationships with supporters for more resources, social impact and transformed hearts.
- **Share Vision and Voice:** We share a compelling vision for what's possible as we speak out for children and give them a voice.
- **Innovate and Learn:** We build an inspiring, sustainable organization that takes intelligent risks, innovates and learns.

In 2016 a new strategy was completed and received Board approval for 2017-2021 with areas of focus being to:

- build **more meaningful relationships** with our supporters
- inspire more Canadians to joining our mission by **building trust** in World Vision
- focus our resources and influence for **greater stewardship for impact**
- seek new sources of value by exploring **for-profit approaches**

On an annual basis, Management has a very robust process to develop its annual plan and budget. These are approved by the Board of Directors prior to the commencement of the year. Monthly reports are made to all levels of management, the Board's Audit Committee and the Board of Directors as a whole for monitoring purposes and so that corrective action can be taken as appropriate. Senior Management reviews key reports on a regular basis to monitor progress towards strategic goals and accountability.

## Financial Reporting, Internal Audit and Risk Management

World Vision Canada's management, along with our independent [Board of Directors](#), is responsible for the financial statements and all other information included in the [Annual Impact Report](#).

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations as established by the Accounting Standards Board of the Canadian Institute of Chartered Accountants, and, where appropriate, include amounts based on Management's best estimates and judgments.

The preparation of financial information is an integral part of the ongoing oversight of the organization. Management has developed and maintains financial and management controls, information systems and practices, which are reviewed regularly by financial management and internal audit to ensure that funds are used for their intended purpose and maximum impact. These systems provide reasonable, but not absolute, assurance against errors or loss, and that financial information is objective and reliable.

Management and World Vision Canada's independent [Board of Directors](#) are responsible for the financial statements and all other information included in this annual report.

### Internal Audit and Risk

A standing committee of the Board of Directors assists the Board in fulfilling its oversight responsibilities relating with respect to: (i) the integrity of the financial statements; (ii) the effectiveness of internal controls and the risk management framework; (iii) compliance with established accounting practices and principles, World Vision Canada's policies, and legal, regulatory and donor requirements; (iv) the qualifications and performance of the risk and internal audit function; and (v) the engagement, performance and independence of the external auditor of World Vision Canada.

Their scope of this standing committee includes financial reporting, oversight of the external auditor, as well as internal audit, compliance, internal controls and risk management. The Director of Risk reports directly to the committee.

In much the same way, World Vision International undertakes audits of its overseas operations, including those to which World Vision Canada sends funds to do its program work. The primary accountability of the internal auditors is to the Audit Committee of World Vision International's Board of Directors. However, reports on the results of internal audits are made available to World Vision Canada and we are involved in any action taken in the event of an adverse report.

Internal audit staff regularly conducts audits of activities to ensure adherence to internal policies and local laws and regulatory requirements, and effectiveness of operations. The Chief Audit Executive reports to the Audit and Risk Committee of the World Vision International Board.

## External Auditor

The Membership of World Vision Canada appoints the auditors, based on a recommendation from the Board of Directors. The financial statements have been audited by external auditors KPMG LLP. Their report outlines the scope of KPMG's examination as well as their opinion on the financial statements. World Vision International financial statements are also audited by KPMG LLP.

## External Accountability

World Vision is committed to the highest standards of financial and ethical accountability in our accounting, fundraising, communications and programs. We regularly disclose relevant information related to our operations, as well as financial data and management procedures, performance monitoring and program evaluations, and about the challenges we encounter in our programs.

As part of our commitment to accountability and stewardship, World Vision Canada carefully monitors key external and internal opportunities, as well as risks and trends. In this way, we enhance our ability to provide long-term, sustainable funding to our programs.

World Vision Canada actively seeks external accountability. The [Better Business Bureau](#) and [Imagine Canada](#) have granted World Vision status as a national "Accredited Charity". We voluntarily ascribe to several external bodies which include ethical codes for fundraising and transparency, including the [Canadian Council of Christian Charities](#), [Imagine Canada Ethical Code Program](#), and the [Canadian Council for International Cooperation](#).

World Vision International is an active and well-regarded member of several, reputed international initiatives. We adhere to international codes of conduct that set standards and benchmarks for governance, management, partnership and accountability. World Vision publishes an Accountability Report every year that outlines how we try to prevent things going wrong, where missteps occur and how we react. We are a member and signatory of the [International NGO Accountability Charter](#), the [Code of Conduct for the International Red Cross and Red Crescent Movement](#) and [NGOs in Disaster Response](#) programmes.

### CONTACT INFORMATION

We would be pleased to review or discuss any matters with interested parties. Please visit us online at [worldvision.ca](http://worldvision.ca) or contact us at 1-800-268-4888 and ask for Customer Service or Public Relations.



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### NOTES:

World Vision 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). World Vision Canada files a publicly accessible annual information return (T3010) with the [Canada Revenue Agency Charities Directorate](#).

[World Vision International](#), our global coordinating body, assists by facilitating the implementation and monitoring of overseas programs, as well as by providing strategy and technical expertise, to ensure that goods and projects funded by World Vision donors are used to effectively benefit the most vulnerable people of the world, especially children.