Financial Statements of

CANADIAN BUREAU FOR INTERNATIONAL EDUCATION

Year ended March 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Bureau for International Education

We have audited the accompanying financial statements of the Canadian Bureau for International Education, which comprise the statement of financial position as at March 31, 2018, the statements of operations, 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.

KPMG

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 the Canadian Bureau for International Education as at March 31, 2018, and its results of operations, changes in net assets and 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

Ottawa, Canada

June 8, 2018

CANADIAN BUREAU FOR INTERNATIONAL EDUCATION

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017 (Recast - note 12)
Assets		
Current assets:		
Cash and cash equivalents	$ –	$ 213,730
Restricted cash for projects (note 2)	47,380,705	87,031,206
Accounts and contributions receivable	1,084,181	1,021,281
Prepaid expenses	117,141	155,036
	48,582,027	88,421,253
Investments (note 3)	4,611,105	4,595,448
Tangible capital assets (note 4)	133,624	169,492
	$ 53,326,756	$ 93,186,193
Liabilities and Net Assets		
Current liabilities:		
Bank indebtedness	$ 36,605	$ –
Accounts payable and accrued liabilities (note 5)	2,207,606	2,191,668
Deferred contributions	103,446	14,135
Deferred contributions relating to restricted cash for projects (note 2)	47,380,705	87,031,206
	49,728,362	89,237,009
Net assets:		
Unrestricted	3,073,035	3,218,185
Invested in tangible capital assets	133,624	169,492
Internally restricted (note 6)	391,735	561,507
	3,598,394	3,949,184
Contingencies and guarantees (note 8)		
Commitments (note 9)		
	$ 53,326,756	$ 93,186,193

See accompanying notes to financial statements.

Approved by the Board of Directors:

Sean Kennedy Director

Director

CANADIAN BUREAU FOR INTERNATIONAL EDUCATION

Statement of Operations

Year ended March 31, 2018, with comparative information for 2017

	2018	2017 (Recast - note 12)
Revenue:		
Gross project contributions	$111,036,940	$187,523,504
Less: direct project expenses	104,833,260	179,647,667
Net project contribution	6,203,680	7,875,837
Conference	974,776	912,232
Membership	205,860	196,370
Interest and investment	167,785	162,181
Miscellaneous	115,580	121,565
	7,667,681	9,268,185
Expenses:		
Books, subscriptions and memberships	43,486	15,569
Conference/workshop facilities	282,111	274,963
Equipment rental and maintenance	112,357	138,481
Grants, fees and awards - projects	9,091	4,607
Insurance	21,053	17,625
Postage and courier	9,799	14,210
Printing and photocopying	38,957	33,057
Professional fees:		
Contracts	581,932	794,820
Legal and audit	45,637	26,167
Promotion	41,147	81,521
Rent	487,750	543,912
Salaries and benefits	5,614,572	6,833,716
Supplies and sundry	99,874	142,917
Telephone	50,265	58,661
Translation	29,420	57,008
Travel (note 7)	188,369	267,340
Amortization of tangible capital assets	35,868	45,311
	7,691,688	9,349,885
Deficiency of revenue over expenses before the undernoted	(24,007)	(81,700)
Change in net unrealized loss on investments	(157,011)	(5,452)
Strategic initiatives expenses	(169,772)	(87,365)
Deficiency of revenue over expenses	$ (350,790)	$ (174,517)

See accompanying notes to financial statements.

CANADIAN BUREAU FOR INTERNATIONAL EDUCATION

Statement of Changes in Net Assets

Year ended March 31, 2018, with comparative information for 2017

	Unrestricted	Invested in tangible capital assets	Internally restricted	2018 Total	2017 Total
Net assets, beginning of year	$ 3,218,185	$ 169,492	$ 561,507	$ 3,949,184	$ 4,123,701
Deficiency of revenue over expenses	(350,790)	–	–	(350,790)	(174,517)
Additions to capital assets	–	–	–	–	–
Special projects expenses	169,772	–	(169,772)	–	–
Amortization of tangible capital assets	35,868	(35,868)	–	–	–
Net assets, end of year	$ 3,073,035	$ 133,624	$ 391,735	$ 3,598,394	$ 3,949,184

See accompanying notes to financial statements.

CANADIAN BUREAU FOR INTERNATIONAL EDUCATION

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Deficiency of revenue over expenses	$ (350,790)	$ (174,517)
Items not involving cash:		
Amortization of tangible capital assets	35,868	45,311
Net unrealized loss on investments	157,011	5,452
Change in non-cash operating working capital	80,244	(6,169,011)
	(77,667)	(6,292,765)
Investments:		
Tangible capital asset acquisitions	–	(39,473)
Additions to investments	(172,668)	(245,601)
	(172,668)	(285,074)
Decrease in cash and cash equivalents	(250,335)	(6,577,839)
Cash and cash equivalents, beginning of year	213,730	6,791,569
Cash and cash equivalents (bank indebtedness), end of year	$ (36,605)	$ 213,730

See accompanying notes to financial statements.

The Canadian Bureau for International Education's (the "Bureau") activities comprise public awareness, research and information services, training programs, scholarship management, professional development for international educators and a host of other services for members and learners. The Bureau engages in cooperative projects in capacity building, institutional strengthening and human resource development.

The Bureau promotes the transfer of knowledge across borders by providing technical assistance, information and support services.

The Bureau's membership is composed of colleges, universities, school boards, organizations and individuals.

The Bureau is incorporated without share capital under Part II of the Canada Corporations Act. Effective November 19, 2014 the Bureau transitioned its articles of incorporation to the Canada Not-for Profit Corporations Act. The Bureau is a registered charity under subsection 149(1)(f) of the Income Tax Act (Canada) and is exempt from income taxes.

1. Significant accounting policies:

The financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

(a) Basis of presentation:

The Bureau follows the deferral method of accounting for contributions for not-for-profit organizations.

(b) Cash and cash equivalents:

The Bureau considers cash and cash equivalents to be highly liquid investments with original maturities of three months or less.

(c) Revenue recognition:

The Bureau earns revenue from a variety of sources. Revenue is recognized as follows:

(i) Contract and program revenue is received from the Global Affairs Canada, other departments and agencies of the Government of Canada and private and foreign sources. Revenue from multi-year contracts are recognized using the percentage of completion method based on the proportion of total contract expenses incurred to the statement of financial position date of the total project budget. Contributions relating to specific projects extending beyond the end of the year are deferred to the extent that matching expenses have not been incurred. A loss is recognized on projects when total expenses are expected to exceed total contributions.

Revenue from annual projects is recognized as the project is delivered.

1. Significant accounting policies (continued):

(c) Revenue recognition (continued):

(ii) Conference registration fees are recognized in the period that the conference is held.

(iii) Membership fees are recognized over the membership year.

(iv) Program revenue is recognized in the period that the service is delivered.

(d) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. 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 Bureau has elected to carry its investments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets recorded at cost or amortized cost, 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 Bureau 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 Bureau 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) Tangible capital assets:

Tangible capital assets are recorded at cost. Repairs and maintenance costs are charged to expense. When a tangible capital asset no longer contributes to the Bureau's ability to provide services, its carrying amount is written down to its residual value.

1. Significant accounting policies (continued):

(e) Tangible capital assets (continued):

Tangible capital assets are amortized on a straight-line basis over the following useful lives:

	Useful life
Computers and equipment	3 years
Furniture and fixtures	10 years
Leasehold improvements	Over the life of lease

(f) Foreign exchange:

Transactions conducted in a foreign currency are translated into Canadian dollars at the average exchange rates for the period. Assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at year-end. Foreign exchange gains and losses are included in income.

(g) Expenses:

In the statement of operations, the Bureau presents its expenses by object, except for direct project expenses and special projects.

Expenses are recognized in the year incurred and are recorded to operating or projects to which they are directly related. The Bureau does not allocate expenses between operating and projects after initial recognition.

(h) Use of estimates:

The preparation of the 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 expenses during the year. Actual results could differ from those estimates. These estimates are reviewed annually and as adjustments become necessary, they are recorded in the financial statements in the period in which they become known.

2. Restricted cash for projects:

Restricted cash for projects represents funds received in advance from funding agencies which, under the terms of the agreement, must be maintained in segregated bank accounts and only expended to pay for costs of the specific project.

3. Investments:

Investments by type:

	2018 Fair value	2018 Cost	2017 Fair value	2017 Cost
Cash and cash equivalents	$ 21,861	$ 21,861	$ 78,605	$ 78,605
Guaranteed investment certificates	30,000	30,000	130,000	130,000
Fixed income	3,473,087	3,463,611	4,386,843	4,237,558
Equities	1,086,157	1,103,359	–	–
	$ 4,611,105	$ 4,618,831	$ 4,595,448	$ 4,446,163

The Bureau's fixed income investments consist of government and high quality corporate bonds.

The Bureau's fixed income investments have effective interest rates of 2.64% to 5.0% and maturity dates ranging from December 2018 to February 2027.

4. Tangible capital assets:

	Cost	Accumulated amortization	2018 Net book value	2017 Net book value
Computers and equipment	$ 1,054,811	$ 1,030,271	$ 24,540	$ 36,382
Furniture and fixtures	313,282	204,198	109,084	133,110
Leasehold improvements	420,955	420,955	–	–
	$ 1,789,048	$ 1,655,424	$ 133,624	$ 169,492

At March 31, 2017, cost and accumulated amortization amounted to $1,789,048 and $1,619,556, respectively.

5. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $Nil (2017 - $17,105) which includes amounts payable for harmonized sales tax and payroll-related taxes.

6. Net assets:

(a) Objective:

The Bureau manages its net assets by establishing internally restricted net assets and appropriating amounts to the internally restricted net assets for anticipated future projects or programs. These allocations are disclosed in note 6(b).

The Bureau is not subject to externally imposed capital requirements and its overall strategy with respect to capital remains unchanged from the year ended March 31, 2017.

(b) Internally restricted:

From time to time, the Board of Directors approves the restriction of otherwise unrestricted funds for specific purposes. These amounts are recorded in the financial statements as internally restricted assets. In accordance with Board resolutions, the following amounts were restricted or released during the year:

	Balance, beginning of year	Transfers to unrestricted net assets	Special project expenses	Balance, end of year
Special initiatives fund	$ 561,507	$ –	$ 169,772	$ 391,735

Special Initiatives: These amounts are restricted for initiatives which enhance the Bureau's capacity to address new opportunities in consultation with the Board of Directors.

7. Travel expenses:

	2018	2017
Staff	$ 124,180	$ 181,141
Board and committees	33,002	12,567
Consultants	31,187	73,632
	$ 188,369	$ 267,340

8. Contingencies and guarantees:

(a) Project revenue:

The terms of contribution agreements allow the government or agencies to conduct audits to verify that project expenditures are in accordance with the terms and conditions of the funding agreement. Ineligible expenditures, if any, may result in the Bureau reimbursing a portion of the funding. Management believes that the Bureau has not incurred material ineligible expenditures, and therefore, has not recorded any liability for reimbursement. Adjustments to the financial statements as a result of these audits will be recorded in the period in which they become known.

(b) Guarantees:

In the normal course of business, the Bureau has entered into lease agreements for premises and equipment. It is common in such commercial lease transactions for the Bureau as the lessee, to agree to indemnify the lessor for liabilities that may arise from the use of the leased assets. The maximum amount potentially payable under the foregoing indemnities cannot be reasonably estimated. The Bureau has liability insurance that relates to the indemnifications described above.

(c) Letters of guarantee:

Funding organizations can require letters of credit to secure contractual advances for certain projects. As of March 31, 2018 the Bureau had provided letters of credit amounting to $3,078,478 (2017 - $3,000,000) to collateralize its obligations. Of this current amount $1,200,000 (2017 - $1,200,000) is guaranteed by another partner.

9. Commitments:

The Bureau has committed to make the following future minimum payments under premises and equipment leases:

Years ending March 31:

2019	$ 241,320
2020	16,248
2021	16,248
2022	16,248
2023	8,144
	$ 298,208

10. Financial instruments:

(a) Currency risk:

The Bureau is exposed to financial risks as a result of exchange rate fluctuations and the volatility of these rates. In the normal course of business, the Bureau purchases goods and services denominated in U.S. dollars. The Bureau does not currently enter into forward contracts to mitigate this risk.

(b) Liquidity risk:

Liquidity risk is the risk that the Bureau will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Bureau manages its liquidity risk by monitoring its operating requirements. The Bureau prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

(c) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Bureau is exposed to credit risk with respect to the accounts receivable. The Bureau assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. In 2018, an allowance for doubtful accounts was not considered necessary.

(d) Interest rate risk:

The Bureau is exposed to interest rate risk on its fixed income investments. Further details about the Bureau's investments are included in note 3.

There has been no change to the risk exposures from the year ended March 31, 2017.

11. Pension plan:

The Bureau is the administrator of the Canadian Bureau for International Education Defined Contribution Pension Plan, which is registered with the Financial Services Commission of Ontario.

The pension plan for employees of the Bureau is a defined contribution plan covering all employees of the Bureau who meet the eligibility requirements specified in the plan agreement. The Bureau contributes a percentage of gross earnings for all members of the pension plan. In the year, the Bureau contributed approximately $416,610 (2017 - $514,140) to the pension plan, which is included in salaries and benefits expense.

12. Comparative Information:

During the year ended March 31, 2018, the Bureau identified a misstatement related to the foreign exchange translation of certain restricted cash for projects, deferred contributions relating to restricted cash for projects, gross project contributions and direct project expenses.

The correction of this misstatement has been applied retrospectively and the corresponding financial information as at March 31, 2017 has been recast to reflect this correction as follows:

	Impact on Statement of Financial Position		
As at March 31, 2017	As previously reported	Adjustment	Recast
Restricted cash for projects	$ 66,692,936	$ 20,338,270	$ 87,031,206
Deferred contributions relating to restricted cash for projects	66,692,936	20,338,270	87,031,206
	$ –	$ –	$ –

	Impact on Statement of Operations		
For the year ended March 31, 2017	As previously reported	Adjustment	Recast
Restricted cash for projects	$ 164,155,336	$ 23,368,168	$ 187,523,504
Less: Cash for projects	156,279,499	23,368,168	179,647,667
Net project contributions	$ 7,875,837	$ –	$ 7,875,837