

World University Service of Canada

Consolidated Financial Statements
March 31, 2020



Independent auditor's report

To the Board of Directors of World University Service of Canada

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of World University Service of Canada and its subsidiary (together, the Organization) as at March 31, 2020 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

What we have audited

The Organization's consolidated financial statements comprise:

- the consolidated balance sheet as at March 31, 2020;
 - the consolidated statement of operations for the year then ended;
 - the consolidated statement of changes in net assets for the year then ended;
 - the consolidated statement of cash flows for the year then ended; and
 - the notes to the consolidated financial statements, which include a summary of significant accounting policies.
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Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Comparative information

The financial statements of the Organization for the year ended March 31, 2019 were audited by another auditor who expressed an unmodified opinion on those statements on July 6, 2019.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Organization's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Organization or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Organization's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organization's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organization to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organization to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Ottawa, Ontario
June 29, 2020

World University Service of Canada

Consolidated Balance Sheet

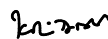
As at March 31, 2020

	2020 \$	2019 \$
Assets		
Current assets		
Cash and cash equivalents	7,686,352	5,493,640
Program receivables	4,961,644	5,975,714
Advances receivable	474,159	682,866
Prepaid expenses	228,781	214,783
	<u>13,350,936</u>	<u>12,367,003</u>
Long-term investments	49,995	-
Tangible capital and intangible assets (note 5)	<u>966,286</u>	<u>1,302,959</u>
	<u>14,367,217</u>	<u>13,669,962</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities (note 6)	2,238,632	1,860,092
Deferred contributions and contract advances (note 7)	8,467,808	8,256,815
Deferred revenue – Lewis Perinbam award	50,819	53,729
	<u>10,757,259</u>	<u>10,170,636</u>
Net Assets		
Invested in tangible capital and intangible assets	966,286	1,302,959
Internally restricted (note 8)	2,574,865	2,128,045
Endowment Fund	68,807	68,322
	<u>3,609,958</u>	<u>3,499,326</u>
	<u>14,367,217</u>	<u>13,669,962</u>
Commitments (note 9)		
Contingencies (note 10)		

Approved by the Board of Directors



Director



J. Colin Dodds (Aug 5, 2020 15:43 ADT)

Director

The accompanying notes are an integral part of these consolidated financial statements.

World University Service of Canada

Consolidated Statement of Operations

For the year ended March 31, 2020

	2020 \$	2019 \$
Revenue		
Grants and contributions		
Government of Canada	23,974,494	23,652,246
UK-Aid	7,747,239	7,631,727
Government of Botswana	-	98,999
Other Canadian funding (note 11)	2,482,348	2,273,584
Other foreign funding	1,637,654	2,310,380
Other income (note 12)	176,831	214,134
Donated services	4,616,496	4,694,670
	<hr/> 40,635,062	<hr/> 40,875,740
Expenses		
Programs	32,166,862	32,431,718
Operations	3,292,707	2,965,735
Fundraising and alumni engagement	210,373	253,300
Governance	62,131	79,249
Donated services	4,616,496	4,694,670
	<hr/> 40,348,569	<hr/> 40,424,672
Excess of revenue over expenses before undernoted item	286,493	451,068
Severance – restructuring	176,346	342,256
Excess of revenue over expenses	<hr/> 110,147	<hr/> 108,812

The accompanying notes are an integral part of these consolidated financial statements.

World University Service of Canada
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2020

	Invested in tangible capital and intangible assets \$	Internally restricted net assets \$	Endowment Fund \$	2020 \$	2019 \$
Balance – Beginning of year	1,302,959	2,128,045	68,322	3,499,326	3,390,112
Excess of revenue over expenses	-	110,147	-	110,147	108,812
Endowment contributions and investment gains	-	-	485	485	402
Change in net assets invested in tangible capital and intangible assets					
Amortization of tangible capital and intangible assets	(381,223)	381,223	-	-	-
Purchase of tangible capital and intangible assets	44,550	(44,550)	-	-	-
Balance – End of year	<u>966,286</u>	<u>2,574,865</u>	<u>68,807</u>	<u>3,609,958</u>	<u>3,499,326</u>

The accompanying notes are an integral part of these consolidated financial statements.

World University Service of Canada

Consolidated Statement of Cash Flows

For the year ended March 31, 2020

	2020 \$	2019 \$
Cash provided by (used in)		
Operating activities		
Excess of revenue over expenses	110,147	108,812
Items not involving cash		
Amortization of tangible capital and intangible assets	381,223	350,250
Loss on disposal of tangible capital and intangible assets	-	3,177
Net change in non-cash operating working capital (note 13)	1,795,402	(2,370,217)
	<u>2,286,772</u>	<u>(1,907,978)</u>
Investing activities		
Purchase of long-term investments	(49,995)	-
Purchase of tangible capital and intangible assets	(44,550)	(364,639)
Proceeds from disposal of tangible capital and intangible assets	-	20,530
Endowment contributions and investment gains	485	402
	<u>(94,060)</u>	<u>(343,707)</u>
Increase (decrease) in cash and cash equivalents	2,192,712	(2,251,685)
Cash and cash equivalents – Beginning of year	5,493,640	7,745,325
Cash and cash equivalents – End of year	<u>7,686,352</u>	<u>5,493,640</u>
Cash and cash equivalents comprises		
In Canada		
Cash on deposit	5,701,388	3,963,837
Cash equivalents	298,637	296,134
	6,000,025	4,259,971
Other countries		
Cash on deposit (note 3)	1,686,327	1,233,669
	<u>7,686,352</u>	<u>5,493,640</u>

The accompanying notes are an integral part of these consolidated financial statements.

World University Service of Canada

Notes to Consolidated Financial Statements

March 31, 2020

1 Purpose of organization

World University Service of Canada (WUSC) was incorporated on October 1, 1957, without share capital, under Part II of the Canada Corporations Act. In 2014, WUSC continued its incorporation under the Canada Not-for-profit Corporations Act. As a registered charity with the Canada Revenue Agency, WUSC is exempt from income taxes under paragraph 149(1)(f) of the Income Tax Act (Canada).

WUSC is a leading Canadian non-profit organization in international development, committed to building a more equitable and sustainable world. WUSC works with a unique and powerful network of post-secondary institutions, private-sector partners and volunteers to provide education, employment and empowerment opportunities that improve the lives of millions of disadvantaged youth around the world.

2 Significant accounting policies

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

Basis of presentation and consolidation

These consolidated financial statements include the accounts of WUSC and WUSC Education and Development Corporation (collectively referred to herein as WUSC). WUSC controls WUSC Education and Development Corporation by virtue of its ability to appoint that entity's Board of Directors. All significant intercompany transactions and accounts have been eliminated.

Use of estimates

The preparation of the consolidated 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 consolidated 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 recognized in the consolidated financial statements in the period in which they become known.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with terms to maturity at acquisition of three months or less.

World University Service of Canada

Notes to Consolidated Financial Statements

March 31, 2020

Tangible capital and intangible assets

Tangible capital and intangible assets are initially recorded at cost, except for tangible capital and intangible acquisitions required and funded directly by projects, which are recorded as project expenditures in the year of acquisition. Amortization is recorded on a straight-line basis over the estimated useful lives as follows:

Tangible capital assets

Buildings	20 years
Office equipment	5 years
Computer hardware	3 years

Intangible assets

Computer software	3 years
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Tangible capital and intangible assets acquired in the year are amortized at one-half of the annual rate.

WUSC Field Support Services' tangible capital and intangible assets are recorded at cost. Amortization is recorded on a straight-line basis over the lives of the signed contracts durations.

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.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred.

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, WUSC 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 WUSC 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 University Service of Canada

Notes to Consolidated Financial Statements

March 31, 2020

Revenue recognition

WUSC follows the deferral method of accounting for contributions for not-for-profit organizations. Contract revenue is recognized using the percentage of completion method, based on the proportion of total contract expense incurred at year end. Contributions and donations relating to specific projects extending beyond the end of the year are deferred to the extent that matching expenditures have not been incurred. A loss is recognized on projects when total expenses are expected to exceed total contributions. Endowment contributions are recorded as direct increases in net assets.

Expenses

In the consolidated statement of operations, WUSC presents its expenses by function. Expenses are recognized in the year incurred and are recorded in the function to which they are directly related. WUSC does not allocate expenses between functions after initial recognition.

Foreign exchange

Transactions conducted in a foreign currency are translated into Canadian dollars at the average rates of exchange in effect for the period. Assets and liabilities denominated in foreign currencies are adjusted at the balance sheet date to reflect the exchange rates in effect at that date. Exchange gains and losses are included in the determination of revenue and expenses for the year.

Donated services

The value of Canadian volunteers working overseas is recorded as both revenue and expense, based on the fair market value of the volunteer's time, established through volunteer daily rates approved by Global Affairs Canada (GAC).

Joint operation

A joint operation is an arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called the joint operators. WUSC recognizes its share of the assets and liabilities and revenue and expenses generated from the joint operations in proportion to its rights.

3 Financial risks and concentration of credit risk

Concentration of credit risk

Credit risk refers to the risk that counterparty may default on its contractual obligations resulting in a financial loss. WUSC is exposed to credit risk with respect to project advances and amounts receivable. The majority of project receivables as at March 31, 2020 relates to contribution agreements or service contracts with government agencies and partner organizations. WUSC assesses its receivables on a continuous basis and provides for any amounts that are not collectible in the allowance for doubtful accounts. As at year-end, there were no amounts allowed for in receivables.

World University Service of Canada

Notes to Consolidated Financial Statements

March 31, 2020

Currency risk

Contract advances received in foreign currencies are generally disbursed for expenditures in the same currency, serving to hedge WUSC's exposure to foreign currency fluctuations.

Cash on deposit in other countries includes approximately \$323,004 (2019 – \$226,141) denominated in US dollars.

In addition, cash on deposit in other countries includes approximately \$11,628 (2019 – \$33,790) held in Sri Lankan rupees, which is subject to normal restrictions imposed under Sri Lankan banking regulations, and mainly consists of funds received from local funding sources that are designated for local project expenditures.

The remaining amount of cash on deposit in other countries of \$1,351,694 (2019 – \$973,739) consists of balances held mainly in African countries denominated in other foreign currencies.

Cash on deposit in Canada includes \$1,554,713 (2019 – \$1,559,492), denominated in British pounds and \$776,483 (2019 – \$403,897) denominated in US dollars.

Interest rate and liquidity risk

WUSC management believes that it is not subject to significant interest rate or liquidity risk arising from its financial instruments.

Letters of credit

GAC and other donors can require letters of credit to secure contractual advances for certain projects. As at March 31, 2020, WUSC had provided irrevocable standby letters of credit of \$2,537,160 (2019 – \$2,537,160) to collateralize its obligations.

4 Fundraising by WUSC Local Committees

In addition to providing direct cash contributions to WUSC to support its administration of the Student Refugee Program (SRP), WUSC Local Committees operating at more than 74 Canadian college and university campuses mobilize financial and non-financial support to fulfill their sponsorship undertaking with Citizenship and Immigration Canada. During the fiscal year 2019 to 2020, this support was estimated to be \$5.21 million, to fully fund 130 students' living and education costs through various means that include fundraising by local committees, student union levies, waivers in respect of tuition fees, education material and meals and other forms of support.

This amount does not include the value of the time and effort of on-campus volunteers in support of the SRP.

World University Service of Canada

Notes to Consolidated Financial Statements

March 31, 2020

5 Tangible capital and intangible assets

	2020		2019	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Tangible capital assets				
Land	250,000	-	250,000	250,000
Buildings	721,710	717,597	4,113	12,317
Office equipment	508,117	456,911	51,206	106,546
Computer hardware	310,610	300,383	10,227	4,509
	1,790,437	1,474,891	315,546	373,372
Intangible assets				
Computer software	409,085	393,595	15,490	-
	2,199,522	1,868,486	331,036	373,372

As at March 31, 2019, cost and accumulated amortization of tangible capital and intangible assets amounted to \$2,154,972 and \$1,781,600, respectively.

Field support services projects

	2020		2019	
	Cost \$	Accumulated amortization \$	Net \$	Net \$
Tangible capital assets				
Office space	460,340	263,554	196,786	286,852
Office equipment	295,959	163,190	132,769	192,810
Vehicles	650,105	344,410	305,695	449,925
	1,406,404	771,154	635,250	929,587

As at March 31, 2019, cost and accumulated amortization of tangible assets amounted to \$1,406,404 and \$476,817, respectively.

6 Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities are government remittances payable of \$1,276 (2019 – \$109,645), which includes amounts payable for HST and payroll-related taxes.

World University Service of Canada

Notes to Consolidated Financial Statements

March 31, 2020

7 Deferred contributions and contract advances

	2020 \$	2019 \$
Balance – Beginning of year	8,256,815	7,367,731
Amounts received during the year	35,699,607	37,002,272
Amounts recognized as revenue	(35,488,614)	(36,113,188)
	<hr/>	<hr/>
Balance – End of year	8,467,808	8,256,815

WUSC recognized \$130,341 in revenue from the Equality Fund Initiative funded by GAC.

8 Internally restricted net assets

The Board of Directors has internally restricted, on the recommendation of the Executive Director and the Audit Committee, net assets for the following purposes:

	2020 \$	2019 \$
Severance pay	600,000	600,000
Building	900,000	900,000
Strategic initiatives	400,000	400,000
Contingency	674,865	228,045
	<hr/>	<hr/>
	2,574,865	2,128,045

9 Commitments

WUSC is committed under operating leases for the rental of equipment and parking space over the next four years as follows:

	\$
2021	29,041
2022	7,889
2023	5,966
2024	2,983
	<hr/>
	45,879

10 Contingencies

The terms of contribution agreements with funding agencies allow them to conduct audits to ensure project expenditures are in accordance with the terms and conditions of the funding agreement. Ineligible expenditures, if any, may result in WUSC reimbursing a portion of the funding. Management believes that WUSC has incurred no material unrecorded liabilities related to ineligible expenditures. Adjustments to the financial statements as a result of these audits, if any, will be recorded in the year in which they become known.

World University Service of Canada

Notes to Consolidated Financial Statements

March 31, 2020

11 Other Canadian funding

	2020 \$	2019 \$
Uniterra Partners and Participants	899,701	1,095,549
Student/university program contributions (SRP) (note 4)	603,844	601,000
Farm Radio International	321,866	266,188
Ontario Ministry of Training, Colleges and Universities	191,756	200,005
Student/university program contributions (SWB)	46,499	14,323
Other project revenue	418,682	96,519
	<hr/> 2,482,348	<hr/> 2,273,584

12 Other income

	2020 \$	2019 \$
Membership fees	80,850	86,250
Investment income	30,327	26,572
Miscellaneous	65,654	101,312
	<hr/> 176,831	<hr/> 214,134

13 Changes in non-cash working capital

	2020 \$	2019 \$
Decrease (increase) in program receivables	1,014,070	(3,247,859)
Decrease in advances receivable	208,707	300,251
(Increase) decrease in prepaid expenses	(13,998)	62,166
Decrease in accounts payable and accrued liabilities	378,540	(370,817)
Increase in deferred contributions and contract advances	210,993	889,084
Decrease in deferred revenue – Lewis Perinbam award	(2,910)	(3,042)
	<hr/> 1,795,402	<hr/> (2,370,217)

14 Subsequent event

Due to developments surrounding the outbreak and containment efforts of the COVID-19 pandemic subsequent to year-end, management is assessing the impact of the pandemic on operations. Given the unprecedented nature of this event, it is difficult to predict the length or breadth of any earnings disruption and market movements in general.