Grant Thornton

Financial Statements

Ontario Online Learning Consortium

March 31, 2019

Contents

Independent Auditor's Report

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To the Members of
Ontario Online Learning Consortium

Opinion

We have audited the financial statements of Ontario Online Learning Consortium ("the Organization"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations and changes in net assets and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ontario Online Learning Consortium as at March 31, 2019, 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.

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 Financial Statements* section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Grant Thornton LLP

Toronto, Canada
June 27, 2019

Chartered Professional Accountants
Licensed Public Accountants

Ontario Online Learning Consortium
Statement of Financial Position

March 31	2019	2018
Assets		
Current		
Cash	**$ 5,841,472**	$ 2,102,822
HST receivable	**220,518**	240,241
Prepaid expenses	**43,822**	80,154
	6,105,812	2,423,217
Property and equipment (Note 3)	**91,641**	38,455
Intangibles (Note 4)	**963,641**	817,056
	$ 7,161,094	$ 3,278,728
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 269,087**	$ 465,566
Deferred revenue (Note 5)	**6,892,007**	2,813,162
	$ 7,161,094	$ 3,278,728

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

Ontario Online Learning Consortium
Statement of Operations and Changes in Net Assets

Year ended March 31	**2019**	2018
Revenue		
Government grants (Note 8)	**$ 6,881,206**	$ 23,798,771
Interest income	**74,332**	34,338
	6,955,538	23,833,109
Expenses		
Strategic initiatives	**3,989,385**	20,802,434
Salaries and benefits	**1,635,137**	1,454,886
Space rental and insurance	**389,204**	142,620
Professional fees	**309,562**	273,994
Amortization	**183,309**	105,044
Communications	**154,541**	935,839
Computing and financial services	**138,186**	46,601
Meetings, travel, conferences and registration	**113,843**	61,149
Office supplies and maintenance	**42,371**	10,542
	6,955,538	23,833,109
Excess of revenue over expenses	**-**	-
Net assets, beginning of period	**-**	-
Net assets, end of period	**$ -**	$ -

See accompanying notes to the financial statements.

Ontario Online Learning Consortium
Statement of Cash Flows

Year ended March 31	**2019**	2018
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenses	**$ -**	$ -
Amortization of property and equipment	**28,519**	16,071
Amortization of intangible assets	**154,790**	88,973
Loss on disposal of property and equipment	**2,410**	1,196
	185,719	106,240
Net change in non-cash working capital items		
HST receivable	**19,723**	(91,717)
Prepaid expenses	**36,332**	(76,435)
Accounts payable and accrued liabilities	**(196,479)**	233,032
Deferred revenue	**4,078,845**	(5,023,771)
	3,938,421	(4,958,891)
Cash flows from operating activities	**4,124,140**	(4,852,651)
Investing		
Purchase of property and equipment	**(84,115)**	(32,702)
Purchase of intangible assets	**(301,375)**	(716,680)
Cash flows from investing activities	**(385,490)**	(749,382)
Net change in cash during the period	**3,738,650**	(5,602,033)
Cash, beginning of period	**2,102,822**	7,704,855
Cash, end of period	**$ 5,841,472**	$ 2,102,822

See accompanying notes to the financial statements.

1. Nature of operations

Ontario Online Learning Consortium (the "Organization") was incorporated on October 3, 2014 under the Canada Not-for-Profit Corporation Act. The organization is exempt from income tax, except for income from property, under Section 149(1) of the Income Tax Act.

The Organization is a collaborative centre of excellence in online and technology-enabled learning, governed and operated by Ontario's publicly assisted post-secondary institutions.

2. Summary of significant accounting policies

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) using the deferral fund method of reporting externally restricted contributions.

Use of estimates

The preparation of the Organization's financial statements in conformity with ASNPO requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainty involved in making estimates, actual results could differ from those estimates. Significant items subject to such estimates and assumptions include accrued liabilities.

Financial instruments

The Organization's financial instruments are comprised of cash, receivables and accounts payable. Financial assets and liabilities are initially recognized at their fair value. The Organization subsequently measures all financial assets and financial liabilities at amortized cost.

Property and equipment

Property and equipment are recorded at cost and are being amortized over their estimated useful lives. The annual amortization rates are as follows:

Computer hardware	3 years
Furniture	5 years

Intangible assets

Intangible assets are recorded at cost and are being amortized over their estimated useful lives. The annual amortization rates are as follows:

Website	5 years
Open Library Infrastructure	5 years

Accrual of expenses

Expenses have been recorded using the accrual basis of accounting, and all expenses have been recorded in the period to which the expense relates.

2. Summary of significant accounting policies (continued)

Revenue recognition

Grants are initially recorded as deferred revenue and are recognized as revenue in the year in which the related expenses are incurred.

Investment and other income is recognized when received or receivable and the amount can be reasonably estimated and collection reasonably assured.

Contributed goods and services

Contributed goods and services are not reflected in these financial statements as the fair values of these goods and services cannot be reasonably estimated.

3. Property and equipment

			2019	2018
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Computer hardware	$ 52,496	$ 33,858	**$ 18,638**	$ 37,513
Leasehold Improvements	75,090	9,714	**65,376**	-
Furniture	9,194	1,567	**7,627**	942
	$ 136,780	$ 45,139	**$ 91,641**	$ 38,455

The Organization completed leasehold improvements during the 2018 fiscal year. Netted against the cost of the leasehold improvements is a leasehold reimbursement from the landlord of $124,325.

4. Intangible assets

			2019	2018
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Website Portal	$ 1,021,918	$ 254,944	**$ 766,974**	$ 617,056
Open Library Infrastructure	200,000	3,333	**196,667**	200,000
	$ 1,221,918	$ 258,277	**$ 963,641**	$ 817,056

5. Deferred revenue

	As at March 31, 2018	Funds received	Expenditures	Total repayments	As at March 31, 2019
Operations and strategic Initiatives 2016 – 2019	$ 2,393,448	$ 10,103,970	$ (4,575,429)	$ (1,261,299)	$ 6,660,690
Digital Inclusion Research Fund	25,785	6,695	-	(25,153)	7,327
Ontario Open Textbooks	209,194	29,767	-	(209,194)	29,767
Lynda.com access	184,735	2,315,265	(2,305,777)	-	194,223
	$ 2,813,162	$ 12,455,697	$ (6,881,206)	$ (1,495,646)	$ 6,892,007

6. Commitments

The Organization enters into contracts with third parties to execute the strategic initiatives outlined in the transfer payment agreements with the Ministry of Training, Colleges and Universities. At the end of the current year the total future commitments are $165,913 (2018 - $nil).

The Organization has entered into a lease for office premises, expiring in 2028. Future minimum annual lease payments for the next five years and thereafter are as follows:

2020	$ 124,325
2021	124,325
2022	124,325
2023	124,325
2024	130,127
Thereafter	593,030

7. Financial instruments

Transactions in financial instruments may result in the Organization assuming or transferring to another party one of more of the financial risks described below. The required disclosures provide information that assists users of the financial statements in assessing the extent of risk related to financial instruments.

<u>Credit risk</u>

The Organization’s credit risk is primarily with respect to their accounts receivable. Given the nature of HST receivable, the Organization does not consider credit risk to be significant.

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value (price risk) or future cash flows (cash flow risk) of a financial instrument will fluctuate because of changes in market interest rates. The Organization is not exposed to interest rate risk due to the nature of their financial instruments.

7. Financial instruments (continued)

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with financial liabilities. The Organization is exposed to liquidity risk mainly in respect of its accounts payable. The Organization manages liquidity risk by maintaining cash balances in excess of outstanding obligations.

Currency risk

Currency risk is the risk to the Organization that arises from fluctuations in foreign exchange rates. The Organization is not exposed to significant currency risk as transactions in foreign currencies are limited.

8. Economic dependence

The Organization is economically dependent on The Ministry of Training, Colleges and Universities for grant revenue.