

Consolidated financial statements of

Commonwealth of Learning

June 30, 2009

Commonwealth of Learning

June 30, 2009

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Auditors' report

To the Board of Governors of
Commonwealth of Learning

We have audited the consolidated balance sheet of Commonwealth of Learning (the "Agency") as at June 30, 2009 and the consolidated statements of revenues and expenditures, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. 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 plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Agency as at June 30, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP

Chartered Accountants
September 25, 2009

Commonwealth of Learning

Consolidated statement of revenues and expenditures year ended June 30, 2009

(Expressed in Canadian dollars)

	2009	2008
	\$	\$
Revenues		
Member governments (Schedule)	8,959,065	7,924,696
Grants and special projects	1,326,582	1,031,786
Contract services	756,864	712,047
Interest	111,905	306,010
	11,154,416	9,974,539
Expenditures		
Programmes and grants	8,128,161	6,275,707
Organisational management	1,179,554	1,077,923
Contract services	736,223	775,915
Governance	142,443	117,926
Amortisation	132,255	137,422
Foreign exchange (gain) loss	(241,185)	71,900
	10,077,451	8,456,793
Excess of revenues over expenditures before other items	1,076,965	1,517,746
Other items		
Loss on disposal of property and equipment	(1,499)	(11,149)
Write-down of accounts receivable	(38,854)	-
Excess of revenues over expenditures	1,036,612	1,506,597

Commonwealth of Learning
 Consolidated statement of changes in net assets
 year ended June 30, 2009
 (Expressed in Canadian dollars)

	Invested in property and equipment	Internally restricted	Unrestricted	2009 Total	2008 Total
	\$	\$	\$	\$	\$
Balance, beginning of year	256,365	1,615,950	6,614,067	8,486,382	6,979,785
(Deficiency) excess of revenues over expenditures	(97,657)	87,683	1,046,586	1,036,612	1,506,597
Investment in property and equipment	66,306	-	(66,306)	-	-
	225,014	1,703,633	7,594,347	9,522,994	8,486,382

Commonwealth of Learning

Consolidated balance sheet

as at June 30, 2009

(Expressed in Canadian dollars)

	2009	2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	8,513,931	5,444,761
Temporary investments (Note 6)	-	1,511,890
Term deposit (Note 7)	250,139	251,800
Accounts receivable	51,818	71,526
Pledges receivable	-	66,063
Prepaid expenses	33,277	571,773
	8,849,165	7,917,813
Deposits	27,995	27,995
Restricted cash (Note 8)	1,703,633	1,615,950
Property and equipment (Note 9)	449,414	530,286
	11,030,207	10,092,044
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	775,273	801,963
Deferred revenue (Note 10)	326,311	405,133
Current portion of obligations under capital leases (Note 11)	13,426	13,426
Deferred contribution	79,735	4,972
	1,194,745	1,225,494
Deferred lease inducements (Note 12)	303,019	357,293
Obligations under capital leases (Note 11)	9,449	22,875
	1,507,213	1,605,662
Net assets		
Net assets invested in property and equipment	225,014	256,365
Net assets internally restricted (Note 8)	1,703,633	1,615,950
Unrestricted net assets	7,594,347	6,614,067
	9,522,994	8,486,382
	11,030,207	10,092,044

Commitment (Note 15)

Approved by the Board of Governors





Commonwealth of Learning

Consolidated statement of cash flows year ended June 30, 2009

(Expressed in Canadian dollars)

	2009	2008
	\$	\$
Operating activities		
Cash received from member governments	9,099,892	7,967,642
Cash received from grants and contract services	200,330	1,810,775
Interest received from cash and cash equivalents	14,780	360,040
Cash paid for operating activities	(9,492,102)	(8,842,456)
	(177,100)	1,296,001
Investing activities		
Proceeds from temporary investments	12,300,000	4,900,000
Purchase of temporary investments	(10,900,000)	(4,400,000)
Purchase of property and equipment	(66,306)	(60,809)
	1,333,694	439,191
Financing activity		
Repayment of capital lease obligations	(13,426)	(12,459)
Increase in cash and cash equivalents	1,143,168	1,722,733
Cash and cash equivalents, beginning of year	5,444,761	3,722,028
Cash and cash equivalents, end of year	6,587,929	5,444,761
Represented by		
Cash	6,910,861	4,000,814
Cash equivalents	1,603,070	1,443,947
	8,513,931	5,444,761

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2009

(Expressed in Canadian dollars)

1. Formation of the Agency

The Commonwealth of Learning (the "Agency") is an International Agency established under a Memorandum of Understanding as agreed by Commonwealth Governments on September 1, 1988, and subsequently amended on October 31, 1995.

An agreement between the Agency and the Government of Canada dated November 14, 1988 established the privileges of the Agency in locating its headquarters in Vancouver. Under the terms of this agreement, the Agency has immunity from every form of legal process, is exempt from all direct taxes, custom duties and import and export restrictions, and its non-Canadian employees are exempt from income tax on salaries paid to them by the Agency.

On July 1, 1993, the Agency qualified as a registered charity, as defined by the Income Tax Act, Canada.

2. Operations

The Agency is committed to assisting Commonwealth member governments develop and share open learning and distance education knowledge, resources and technologies. The Agency is helping developing nations improve access to quality education and training.

The Agency receives substantially all of its revenue on the basis of voluntary pledged contributions from Commonwealth Governments. These consolidated financial statements have been prepared on the basis that the Agency will continue to receive this funding from member governments. Accordingly, these consolidated financial statements do not include any adjustments to assets or liabilities that might result should the Agency not receive sufficient levels of funding.

3. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) *Basis of presentation and consolidation*

These consolidated financial statements include the accounts of the Agency and its controlled organisations, COL International and the Commonwealth Educational Media Centre for Asia ("CEMCA"). All material inter-agency transactions and balances have been eliminated on consolidation.

(b) *Financial instruments*

Financial assets and financial liabilities are initially recognised at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired, their characteristics and the Agency's designation of such instruments.

Held-for-trading

Cash and cash equivalents, temporary investments, term deposits and restricted cash have been designated by the Agency as held-for-trading and are measured at fair value with unrealised gains and losses included in the consolidated statement of revenues and expenditures.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2009

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(b) *Financial instruments (continued)*

Receivables

Accounts receivable and pledges receivable have been designated as receivables and are accounted for at amortised cost using the effective interest rate method.

Liabilities

Accounts payable have been designated as other liabilities and are recorded at amortised cost using the effective interest method.

(c) *Cash and cash equivalents*

For purposes of determining cash flows, cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest-bearing securities with maturities at their purchase date of three months or less.

(d) *Property and equipment*

Property and equipment are recorded at cost less accumulated amortisation. The Agency provides for amortisation over the estimated useful life of the asset on a straight-line basis at the following annual rates:

Furniture and fixtures	10%
Computer equipment and software	20%
Audio-visual and communication equipment	10%
Equipment under capital lease	Term of lease
Leasehold improvements	Term of lease

The Agency reviews property and equipment for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from the undiscounted future cash flows of the asset's use and eventual disposition. The amount of the impairment, if any, is determined as the excess of the carrying value of the asset over its fair value. No impairment losses have been identified by the Agency for the year ended June 30, 2009.

(e) *Revenue recognition*

The Agency follows the deferral method for recognising contributions from member governments, grants and special projects. Unrestricted contributions are recognised as revenue in the period to which they relate, when the amount can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are deferred and recognised as revenue in the period in which the related expenses are incurred.

Revenue resulting from the supply of contract services is recognised using the percentage of completion method as the related costs are incurred.

In-kind contributions from member governments received in the form of goods and services are recognised as revenue when a fair value can be reasonably determined.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2009

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(f) *Translation of foreign currencies*

Transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the transaction dates. Foreign currency denominated monetary assets and liabilities are translated at the period-end exchange rate. Gains and losses realising from foreign currency transactions are recognised in the statement of revenues and expenditures.

The Agency translates the accounts of its integrated foreign operations using the temporal method whereby monetary assets and liabilities are translated at the exchange rate prevailing at the balance sheet date and non-monetary assets and liabilities are translated at their historical exchange rates. Revenues and expenses are translated at the average exchange rate for the year. Foreign currency translation gains and losses are included in the statement of revenues and expenditures in the year in which they arise.

(g) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 date of the financial statements and revenues and expenses for the periods reported. Actual results could differ from those estimates. The most significant estimates included in these financial statements include the collectability of accounts and pledges receivable and the amount of accrued liabilities and deferred revenue.

(h) *Future accounting changes*

The Canadian Institute of Chartered Accountants ("CICA") has amended Section 4400, *Financial Statement Presentation by Not-For-Profit Organisations*, that will revise and enhance the current disclosure requirements for various elements of financial reporting. For the Agency, the amendments will be effective for the fiscal year commencing July 1, 2009. The amendments require the reporting of certain gross revenues in the statement of operations and additional disclosures when a not-for-profit organisation classifies its expenses by function and allocates a portion of their fundraising and general support costs to another function.

The Agency is currently evaluating the impact of the adoption of this new section on its financial statements.

4. Changes in accounting policies

(a) *Financial instruments*

The Agency has elected to use the exemption provided by CICA permitting not-for-profit organisations not to apply the following Sections of the CICA Handbook: 3862, *Financial Instruments - Disclosures*, and 3863, *Financial Instruments - Presentation*, which would otherwise have applied to the financial statements of the Agency for the year ended June 30, 2009. The Agency applies the requirements of Section 3861 of the CICA Handbook.

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Notes to the consolidated financial statements

June 30, 2009

(Expressed in Canadian dollars)

4. Changes in accounting policies (continued)

(b) *General standards of financial statement presentation*

The CICA Handbook Section 1400 has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. Management shall make an assessment of an entity's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed.

(c) *Capital disclosures*

The Agency adopted the recommendations of the CICA Handbook Section 1535, *Capital Disclosures*. This section requires the disclosure of information about externally imposed capital requirements. As the Agency has no externally imposed capital requirements, the adoption of this section has no impact on the financial statements. The Agency manages its capital primarily through its investments and adheres to the guidelines of the Agency's investment policies. There have been no changes to these guidelines during the year.

5. Controlled organisations

(a) *COL International*

COL International, a controlled organisation, was established on January 26, 1999, as an executing agency to work with international financial institutions, governments and companies in the implementation of a broad spectrum of education and learning ventures.

COL International is incorporated under the Canada Corporations Act and operates as a not-for-profit corporation. Membership in COL International is restricted to the Agency and the Agency appoints all the directors of COL International.

The organisation is inactive and the application for surrender of their charter was made on July 7, 2008 following a decision by the Board of Governors of the Agency. Subsequent to the year end, this organisation has been dissolved.

(b) *Commonwealth Educational Media Centre for Asia ("CEMCA")*

CEMCA was established by the Agency to facilitate programs to promote cooperation and collaboration between educational and media organisations in the use of electronic media for distance education. CEMCA was accorded full international agency status by the Government of India on August 31, 1998. CEMCA is exempt from all direct taxes in India.

CEMCA is governed by an Advisory Council (the "Council") of which the Agency has the ability to nominate the majority of its members. The Council functions as the advisory body to the Agency on CEMCA affairs and has the responsibility for broad policy formulation and for monitoring and evaluating CEMCA's operations. The ultimate authority for the direction and control of the operations of CEMCA vests with the Agency who gives due and proper consideration to the views of the Council.

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Notes to the consolidated financial statements

June 30, 2009

(Expressed in Canadian dollars)

6. Temporary investments

Temporary investments consist of prime-linked cashable guaranteed investment certificates.

7. Term deposit

The Agency has deposited cash with a Canadian chartered bank as collateral for certain banking arrangements.

8. Restricted cash

In accordance with its Cash Reserve Policy, the Agency has set aside cash of \$1,700,000 (2008 - \$1,600,000) in the form of an interest bearing guaranteed investment renewable at fixed intervals not exceeding one year. At June 30, 2009, accrued interest amounted to \$3,633 (2008 - \$15,950). The Agency maintains a restricted cash reserve of no less than 20% of the revenues expected to be generated each year from the annual receipt of Member Governments funding. The cash reserve is intended to cover unforeseen significant variations from budgeted revenues and expenditures.

9. Property and equipment

			2009	2008
	Cost	Accumulated amortisation	Net book value	Net book value
	\$	\$	\$	\$
Furniture and fixtures	237,749	140,633	97,116	108,316
Computer equipment and software	417,560	300,506	117,054	135,216
Audio-visual and communication equipment	37,510	27,182	10,328	11,559
Equipment under capital lease	67,089	47,603	19,486	32,912
Leasehold improvements	389,576	184,146	205,430	242,283
	1,149,484	700,070	449,414	530,286

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2009

(Expressed in Canadian dollars)

10. Deferred revenue

	2008	Funds received	Revenue recognised	2009
	\$	\$	\$	\$
Grants and special projects				
Association of Commonwealth Universities	-	18,659	(18,659)	-
Athabasca University	12,000	-	(12,000)	-
Australian Agency for International Development	48,385	-	(48,385)	-
Commonwealth Secretariat	21,892	460,950	(468,300)	14,542
Forum for Agricultural Research in Africa	16,272	-	(16,272)	-
Government of India - Department of Science and Technology	-	54,723	(54,723)	-
Government of India - Ministry of Information and Broadcasting	-	43,005	(43,005)	-
Materials Development Fund	73,392	1,648	(16,000)	59,040
Memorial University	50,000	-	-	50,000
Miscellaneous	-	16,489	(16,489)	-
NEXUS Strategic Partnerships Limited	-	38,000	(38,000)	-
The William and Flora Hewlett Foundation	90,025	429,955	(463,813)	56,167
United Nations Children's Fund	-	160,677	(82,060)	78,617
United Nations Educational and Cultural Organisation	8,136	40,740	(48,876)	-
	320,102	1,264,846	(1,326,582)	258,366
Contract services				
Commonwealth Secretariat Inter-American Development Bank	-	69,505	(66,747)	2,758
International Labour Organisation	17,739	74,400	(76,641)	15,498
International Federation of the Red Cross	8,311	38,699	(47,010)	-
United Nations Children's Fund	-	90,568	(90,568)	-
United Nations High Commission for Refugees	-	188,019	(163,491)	24,528
United Nations - Office of Internal Oversight	49,775	5,823	(55,598)	-
World Bank	9,206	130,353	(139,559)	-
World Health Organisation	-	81,088	(81,088)	-
	85,031	739,778	(756,864)	67,945
	405,133	2,004,624	(2,083,446)	326,311

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2009

(Expressed in Canadian dollars)

11. Obligation under capital lease

The Agency has entered into a lease agreement for office equipment. The agreement expires in October 2010. The estimated repayments under the terms of the leases are as follows:

	2009	2008
	\$	\$
2009	-	15,348
2010	15,348	15,348
2011	8,506	8,506
	23,854	39,202
Less: Amount representing interest at 7.5% per annum	979	2,901
	22,875	36,301
Current portion	13,426	13,426
	9,449	22,875

12. Deferred lease inducements

	2009		2008
	Cost	Accumulated amortisation	Net book value
	\$	\$	\$
Tenant improvements	382,000	180,477	201,523
Early occupancy benefit	192,386	90,890	101,496
	574,386	271,367	303,019

13. Salaries, benefits and allowances

The Agency's Headquarters Agreement with the Government of Canada stipulates that employees of the Agency who are not Canadian citizens and are residing in or ordinarily resident in Canada shall be exempt from federal income taxation deductions on the salaries and emoluments paid to them by the Agency. The Agency has set up an internal levy corresponding to the income taxes that would otherwise be withheld from the above-noted employees' remuneration. The proceeds from the levy can be used to defray the expenses of the Agency and do not have to be remitted to the Canadian government as income tax withholdings. A similar agreement was reached with the Province of British Columbia for exemption from provincial income taxation. During the year ended June 30, 2009, \$530,149 (2008 - \$529,087) arising from these internal levies has been offset against salaries.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2009

(Expressed in Canadian dollars)

14. Financial instruments

(a) *Credit risk*

The Agency's exposures to credit risk are as indicated by the carrying amount of its cash and cash equivalents, temporary investments, term deposit, accounts receivable, pledges receivable, and restricted cash.

(b) *Interest rate risk*

The Agency has an exposure to interest rate risk as a portion of its revenue is derived from interest on cash and cash equivalents, temporary investments, term deposit and restricted cash. The Agency does not use derivative financial instruments to mitigate this risk.

(c) *Fair values*

The Agency's financial instruments include cash and cash equivalents, temporary investments, term deposit, accounts receivable, pledges receivable, restricted cash, and accounts payable, the fair value of which approximate their carrying values given their immediate or short term to maturity.

(d) *Foreign exchange risk exposure*

The Agency realises revenue, incurs expenditures and holds financial instruments denominated in various currencies including UK pounds, US dollars and India rupees. The Agency is exposed to the risk of loss depending on the relative movement of these currencies against the Canadian dollar. At June 30, 2009, the approximate net assets denominated in UK pounds are £908,059 (2008 - £910,952), in US dollars are \$1,336,235 (2008 - \$2,498,052) and in Indian rupees are Rs5,705,000 (2008 - Rs5,743,883).

15. Commitment

The Agency is committed to lease office premises through 2015 as follows:

	\$
2010	353,545
2011	362,238
2012	353,837
2013	342,076
2014	342,076
2015	199,545
	<hr/> <hr/> 1,953,317

Commonwealth of Learning

Schedule

Member governments funding year ended June 30, 2009

(Expressed in Canadian dollars)

	2009	2008
	\$	\$
Antigua and Barbuda	4,971	5,127
Bahamas	73,440	75,339
Bangladesh	31,740	30,473
Barbados	53,316	46,138
Belize	31,632	29,256
Botswana	53,316	43,884
Canada	2,600,000	2,600,000
Cyprus	-	18,699
Gambia	5,693	9,881
Ghana	-	60,660
Grenada	-	4,996
Guyana	11,304	14,529
India	943,811	1,026,502
Jamaica	47,610	45,135
Kenya	52,787	47,638
Kiribati	-	35,045
Lesotho	71,088	41,909
Malawi	11,265	-
Malaysia	49,358	48,960
Maldives	5,755	4,997
Malta	17,772	-
Mauritius	60,000	60,000
Mozambique	55,234	48,355
Namibia	47,392	29,013
Nauru	6,225	-
New Zealand	545,600	594,000
Nigeria	1,635,398	-
Pakistan	35,000	33,810
Papua New Guinea	-	88,822
Saint Kitts and Nevis	36,546	30,361
Saint Lucia	-	18,398
Saint Vincent and the Grenadines	5,924	20,434
Samoa	63,480	58,512
Seychelles	16,898	15,030
Sierra Leone	11,480	-
Solomon Islands	6,101	5,063
South Africa	250,000	250,000
Sri Lanka	37,035	29,979
Swaziland	-	29,256
Tanzania	13,374	27,798
Tonga	-	33,841
Trinidad and Tobago	79,350	76,897
Tuvalu	8,905	30,060
Uganda	18,360	20,969
United Kingdom	1,961,905	2,173,930
Zambia	-	61,000
	8,959,065	7,924,696