

Consolidated financial statements of

Commonwealth of Learning

June 30, 2011
(Expressed in Canadian dollars)

Commonwealth of Learning

June 30, 2011

Table of contents

Independent Auditor's Report	1
Consolidated statement of revenues and expenditures	2
Consolidated statement of changes in net assets.....	3
Consolidated balance sheet.....	4
Consolidated statement of cash flows.....	5
Notes to the consolidated financial statements.....	6-13
Consolidated schedule of member governments funding	14

Independent Auditor's Report

To the Board of Governors of Commonwealth of Learning

We have audited the accompanying consolidated financial statements of Commonwealth of Learning (the "Agency"), which comprise the consolidated balance sheet as at June 30, 2011, and the consolidated statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated financial statements.

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 consolidated financial statements present fairly, in all material respects, the financial position of the Agency as at June 30, 2011, 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
Vancouver, British Columbia
November 23, 2011

Commonwealth of Learning

Consolidated statement of revenues and expenditures year ended June 30, 2011

(Expressed in Canadian dollars)

	2011	2010
	\$	\$
Revenues		
Member governments (Schedule)	7,919,750	8,138,296
Grants (Note 9)	1,296,784	1,494,606
Contract services (Note 9)	558,171	575,722
Interest	83,504	38,856
	9,858,209	10,247,480
Expenditures		
Programmes and grants (Note 14)	8,004,903	7,454,298
Organisational management (Note 14)	1,205,520	1,134,868
Contract services (Note 14)	585,582	647,293
Foreign exchange loss	283,855	430,666
Amortisation	126,486	127,466
Governance	120,638	112,716
Loss (gain) on disposal of property and equipment	5,533	(6,111)
Write-down of accounts receivable	-	1,200
	10,332,517	9,902,396
(Deficiency) excess of revenues over expenditures	(474,308)	345,084

Commonwealth of Learning

Consolidated statement of changes in net assets year ended June 30, 2011

(Expressed in Canadian dollars)

	Invested in property and equipment	Internally restricted	Unrestricted	2011 Total	2010 Total
	\$	\$	\$	\$	\$
		(Note 7)			
Balance, beginning of year	220,494	1,703,630	7,943,954	9,868,078	9,522,994
(Deficiency) excess of revenues over expenditures	(95,924)	11,236	(389,620)	(474,308)	345,084
Internal restriction	-	1,600,000	(1,600,000)	-	-
Net investment in property and equipment	56,576	-	(56,576)	-	-
	181,146	3,314,866	5,897,758	9,393,770	9,868,078

Commonwealth of Learning

Consolidated balance sheet

as at June 30, 2011

(Expressed in Canadian dollars)

	2011	2010
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	7,362,589	8,866,269
Term deposit (Note 6)	150,308	150,097
Accounts receivable	234,817	157,260
Pledges receivable	90,754	53,377
Prepaid expenses	70,468	94,379
	7,908,936	9,321,382
Deposits	27,995	27,995
Restricted cash (Note 7)	3,314,866	1,703,630
Property and equipment (Note 8)	357,056	444,896
	11,608,853	11,497,903
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	693,634	775,445
Deferred revenue (Note 9)	407,983	484,680
Current portion of obligations under capital leases (Note 10)	19,627	15,588
Deferred contributions (Note 11)	872,416	61,980
	1,993,660	1,337,693
Deferred lease inducements (Note 12)	194,473	248,746
Obligations under capital leases (Note 10)	26,950	43,386
	2,215,083	1,629,825
Net assets		
Net assets invested in property and equipment	181,146	220,494
Net assets internally restricted (Note 7)	3,314,866	1,703,630
Unrestricted net assets	5,897,758	7,943,954
	9,393,770	9,868,078
	11,608,853	11,497,903

Commitment (Note 16)

Approved by the Board of Governors



Commonwealth of Learning

Consolidated statement of cash flows year ended June 30, 2011

(Expressed in Canadian dollars)

	2011	2010
	\$	\$
Operating activities		
Cash received from member governments	8,692,809	8,067,164
Cash received from grants and contract services	1,671,609	2,226,047
Interest received from cash and cash equivalents	72,057	41,332
Cash paid for operating activities	(10,283,579)	(9,977,003)
	152,896	357,540
Investing activities		
Proceeds from temporary investments/restricted cash	1,850,000	100,000
Purchase of temporary investments/restricted cash	(3,450,000)	-
Purchase of property and equipment	(44,179)	(80,739)
	(1,644,179)	19,261
Financing activity		
Repayment of obligations under capital lease	(12,397)	(24,463)
(Decrease) increase in cash and cash equivalents	(1,503,680)	352,338
Cash and cash equivalents, beginning of year	8,866,269	8,513,931
Cash and cash equivalents, end of year	7,362,589	8,866,269
Represented by		
Cash	7,362,589	7,835,490
Cash equivalents	-	1,030,779
	7,362,589	8,866,269
Supplemental non-cash transaction		
Acquisition of property and equipment under capital lease	-	63,121

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2011

(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 organisation, 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, 2011

(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 and obligations under capital leases have been designated as other liabilities and are recorded at amortised cost using the effective interest method.

The Agency has elected to use the exemption provided by the Canadian Institute of Chartered Accountants ("CICA") permitting not-for-profit organisations not to apply the following sections of the CICA Handbook: 3862, *Financial Instruments - Disclosures*, 3863, *Financial Instruments - Presentation*, and 3865, *Hedges*, which would otherwise have applied to the financial statements of the Agency for the year ended June 30, 2011. The Agency applies the requirements of Section 3861, *Financial Instruments - Disclosure and Presentation*, of the CICA Handbook.

(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:

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

Property and equipment are tested for recoverability whenever events or changes in circumstances indicate that the asset no longer has any long-term service potential to the Agency or no longer contributes to the Agency's ability to provide services. The amount of the impairment, if any, is determined as the excess of the carrying value of the asset over its estimated residual value. No impairment has been identified by the Agency for the year ended June 30, 2011.

(e) *Revenue recognition*

The Agency follows the deferral method for recognising contributions from member governments and grants. 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 contracted services is recognised using the percentage of completion method as the related costs are incurred.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2011

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(e) *Revenue recognition (continued)*

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.

(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 realised 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, useful life and recoverability of property and equipment, and the amount of accrued liabilities and deferred revenue.

(h) *Allocation of expenses*

Expenditures are recorded on an accrual basis. Human resources, site and office costs are allocated proportionately to the corresponding programme area that benefits from the activity. The Agency allocates human resources, site and office costs by identifying the appropriate basis of allocating each expense and applies that basis consistently each year. The basis of all allocations is reviewed annually during budget preparation and may be revised according to changing requirements.

Additional disclosures are included in Note 14.

(i) *Future accounting changes*

New accounting framework

The CICA has issued a new accounting framework applicable to Canadian not-for-profit organisations. Effective for fiscal years beginning on or after December 21, 2011, not-for-profit organisations will have to choose between International Financial Reporting Standards and generally accepted accounting principles for not-for-profit organisations, with Accounting Standards for Private Enterprises as the underlying framework. The Agency plans to adopt the new accounting standards for not-for-profit organisations for its fiscal year beginning on July 1, 2012, and is evaluating the impact of adoption.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2011

(Expressed in Canadian dollars)

4. Controlled organisations

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.

5. Temporary investments

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

6. Term deposit

The Agency has deposited a total of \$150,308 (2010 - \$150,097) with a Canadian chartered bank as collateral for two letters of credit pertaining to the lease of office premises and credit card facilities.

7. Restricted cash and net assets internally restricted

In accordance with its Cash Reserve Policy, the Agency has set aside cash of \$3,300,000 (2010 - \$1,700,000) in the form of interest bearing guaranteed investments renewable at fixed intervals. At June 30, 2011, accrued interest amounted to \$14,866 (2010 - \$3,630). The Agency maintains a restricted cash reserve of no less than four months of the annual plan of expenditures. The policy, prior to June, 2011, was to maintain a 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.

8. Property and equipment

			2011	2010
	Cost	Accumulated amortisation	Net book value	Net book value
	\$	\$	\$	\$
Audio-visual and communication equipment	41,477	33,440	8,037	11,055
Computer equipment and software	352,744	236,581	116,163	133,044
Equipment under capital lease	63,121	20,004	43,117	54,437
Furniture and fixtures	239,502	181,487	58,015	77,783
Leasehold improvements	389,576	257,852	131,724	168,577
	1,086,420	729,364	357,056	444,896

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2011

(Expressed in Canadian dollars)

9. Deferred revenue

	2010	Funds received	Revenue recognised	2011
	\$	\$	\$	\$
Grants				
Australian Agency for International Development	-	50,345	(50,345)	-
Commonwealth Secretariat	76,251	31,662	(22,361)	85,552
Government of India	-	107,225	(107,225)	-
Materials Development Fund	32,050	-	(22,647)	9,403
Memorial University	13,456	-	(13,456)	-
Miscellaneous	-	8,519	(8,519)	-
Open University	-	16,290	(16,290)	-
UNESCO	-	36,809	(36,809)	-
UNICEF	235,587	766,701	(786,558)	215,730
University of London	-	16,104	(16,104)	-
University of New England	-	2,667	(2,667)	-
William and Flora Hewlett Foundation	59,916	189,945	(213,803)	36,058
	417,260	1,226,267	(1,296,784)	346,743
Contract services				
Commonwealth Secretariat Inter-American Development Bank	6,614	25,863	(32,477)	-
International Federation of the Red Cross	1,100	25,047	(26,147)	-
International Labour Organization	19,573	-	(19,573)	-
United Nations - Development Programme	-	40,967	(11,967)	29,000
United Nations High Commission for Refugees	1,000	2,138	(3,138)	-
United Nations - Organisation Internal OS	11,835	204,022	(212,857)	3,000
World Bank	-	18,864	(18,864)	-
World Health Organisation	27,298	134,202	(134,660)	26,840
	-	100,888	(98,488)	2,400
	67,420	551,991	(558,171)	61,240
	484,680	1,778,258	(1,854,955)	407,983

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2011

(Expressed in Canadian dollars)

10. Obligations under capital lease

The Agency has entered into a lease agreement for office equipment. The agreement expires in August 2014. The estimated repayments under the terms of the lease are as follows:

	2011	2010
	\$	\$
2011	-	20,704
2012	19,627	15,588
2013	15,588	15,588
2014	15,588	15,588
2015	2,598	2,068
	53,401	69,536
Less: Amount representing interest at 6.9% per annum	6,824	10,562
	46,577	58,974
Current portion	19,627	15,588
	26,950	43,386

11. Deferred contributions

The Agency has deferred member government contributions from two countries as at June 30, 2011, which relate to funding for the year ending June 30, 2012.

12. Deferred lease inducements

	2011	2010		
	Cost	Accumulated amortisation	Net book value	Net book value
	\$	\$	\$	\$
Tenant improvements	382,000	252,667	129,333	165,428
Early occupancy benefit	192,386	127,246	65,140	83,318
	574,386	379,913	194,473	248,746

13. Salaries, benefits and allowances

The Agency's Headquarters Agreement with the Government of Canada stipulates that employees of the Agency, who are not recruited locally in Canada, shall be exempt from federal income taxation on the salaries and emoluments paid to them by the Agency. This exemption shall not apply to an employee who is a Canadian citizen residing in or ordinarily resident in Canada.

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.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2011

(Expressed in Canadian dollars)

13. Salaries, benefits and allowances (continued)

A similar agreement was reached with the Province of British Columbia for exemption from provincial income taxation.

During the year ended June 30, 2011, \$462,527 (2010 - \$492,878) arising from these internal levies has been offset against salaries.

14. Allocation of expenses

Human resources, site and office costs of \$4,075,908 (2010 - \$3,961,312) have been allocated as follows:

	2011	2010
	\$	\$
Programmes and grants	2,856,090	2,767,892
Organisational management	964,294	929,693
Contract services	255,524	263,727
	4,075,908	3,961,312

15. Financial instruments

(a) Credit risk exposures

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 exposures

All of the Agency's financial instruments are non-interest bearing except for cash and cash equivalents, temporary investments, term deposit and restricted cash that earn interest at market rates. 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 Indian 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, 2011, the approximate net assets denominated in UK pounds are £122,770 (2010 - £712,364), in US dollars are \$2,744,934 (2010 - \$2,074,773) and in Indian rupees are Rs23,659,781 (2010 - Rs5,415,213). The Agency does not use hedging to mitigate this risk.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2011

(Expressed in Canadian dollars)

16. Commitment

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

	\$
2012	353,837
2013	342,076
2014	342,076
2015	199,545
	<hr/> <u>1,237,534</u>

Commonwealth of Learning

Schedule

Member Governments Funding year ended June 30, 2011

(Expressed in Canadian dollars)

	2011	2010
	\$	\$
Antigua and Barbuda	4,969	6,195
Bahamas	61,980	64,920
Bangladesh	30,990	31,704
Barbados	46,485	45,225
Belize	31,290	32,460
Botswana	46,485	48,960
Canada	2,600,000	2,600,000
Cyprus	15,859	18,619
Dominica	5,000	5,212
Gambia	4,883	5,170
Ghana	185,382	-
Grenada	4,840	5,440
Guyana	15,345	16,320
India	897,541	936,004
Jamaica	43,947	48,690
Kenya	41,298	45,590
Kiribati	20,256	-
Lesotho	71,260	73,541
Malaysia	50,000	50,531
Maldives	4,840	5,025
Malta	15,270	15,816
Mauritius	60,000	60,000
Mozambique	47,765	51,895
Namibia	58,596	40,920
Nauru	4,938	5,214
New Zealand	604,865	622,240
Nigeria	549,662	750,000
Pakistan	35,000	35,000
Papua New Guinea	-	16,230
Rwanda	13,429	-
Saint Kitts and Nevis	40,668	11,622
Saint Lucia	19,142	38,510
Samoa	61,980	64,920
Seychelles	15,345	17,490
Sierra Leone	15,192	-
Solomon Islands	5,064	-
South Africa	250,000	250,000
Swaziland	30,540	31,800
Tanzania	28,594	30,343
Tonga	20,066	-
Trinidad and Tobago	77,475	81,150
Tuvalu	10,330	10,820
Uganda	14,330	-
United Kingdom	1,730,190	1,932,260
Zambia	28,659	32,460
	7,919,750	8,138,296