

Consolidated financial statements of

Commonwealth of Learning

June 30, 2014

Commonwealth of Learning

June 30, 2014

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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 statement of financial position as at June 30, 2014 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 accounting standards for not-for-profit organisations, 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, 2014 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.

Deloitte LLP

Chartered Accountants
November 6, 2014
Vancouver, British Columbia

Commonwealth of Learning

Consolidated statement of revenues and expenditures year ended June 30, 2014

(Expressed in Canadian dollars)

	2014	2013
	\$	\$
Revenues		
Member governments (Schedule)	9,208,080	8,625,237
Grants (Note 8)	908,117	477,861
Contract services (Note 8)	657,116	493,615
Interest	133,110	119,235
	10,906,423	9,715,948
Expenditures		
Programmes and grants (Note 13)	8,138,690	7,487,367
Organisational management (Note 13)	1,215,520	1,107,110
Contract services (Note 13)	593,244	519,520
Governance	140,665	162,758
Amortisation	110,462	118,794
Loss on disposal of property and equipment	619	-
Foreign exchange gain	(99,297)	(61,361)
	10,099,903	9,334,188
Excess of revenues over expenditures	806,520	381,760

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Commonwealth of Learning

Consolidated statement of changes in net assets year ended June 30, 2014

(Expressed in Canadian dollars)

	Invested in property and equipment	Internally restricted (Note 5)	Unrestricted	Total
	\$	\$	\$	\$
Balance, June 30, 2013	147,560	3,325,153	5,933,604	9,406,317
(Deficiency) excess of revenues over expenditures	(74,985)	(5,629)	887,134	806,520
Internally restricted	-	1,400,000	(1,400,000)	-
Net investment in property and equipment	35,297	-	(35,297)	-
Balance, June 30, 2014	107,872	4,719,524	5,385,441	10,212,837

The accompanying notes to the consolidated financial statements are an integral part of
this consolidated financial statement.

Commonwealth of Learning

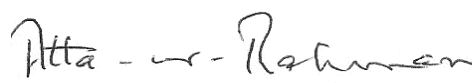
Consolidated statement of financial position

as at June 30, 2014
(Expressed in Canadian dollars)

	2014	2013
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	5,961,173	7,088,697
Restricted cash (Note 5)	4,719,524	3,325,153
Contributions receivable	690,951	582,128
Accounts receivable	141,063	255,129
Prepaid expenses	76,652	57,520
	11,589,363	11,308,627
Deposits for leased premises	102,036	27,995
Term deposit (Note 6)	154,268	151,796
Property and equipment (Note 7)	130,775	221,247
	11,976,442	11,709,665
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	769,702	985,111
Government remittances payable	17,516	15,895
Deferred revenue (Note 8)	850,552	1,148,873
Current portion of obligation under capital lease (Note 9)	1,853	14,689
Deferred contributions (Note 10)	92,328	51,000
	1,731,951	2,215,568
Obligation under capital lease (Note 9)	-	1,853
Deferred lease inducements (Note 11)	31,654	85,927
	1,763,605	2,303,348
Net assets		
Net assets invested in property and equipment	107,872	147,560
Net assets internally restricted (Note 5)	4,719,524	3,325,153
Unrestricted net assets	5,385,441	5,933,604
	10,212,837	9,406,317
	11,976,442	11,709,665

Commitment (Note 15)

Approved by the Board of Governors

 Governor

 Governor

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Commonwealth of Learning

Consolidated statement of cash flows

year ended June 30, 2014

(Expressed in Canadian dollars)

	2014	2013
	\$	\$
Operating activities		
Cash received from member governments	9,140,585	8,013,415
Cash received from grants and contract services	1,189,765	1,862,137
Interest received from cash and cash equivalents	140,010	133,536
Cash paid for operating activities	(10,158,843)	(9,369,936)
	311,517	639,152
Investing activities		
Proceeds from restricted cash	6,299,900	1,850,000
Purchase of restricted cash	(7,703,643)	(1,850,000)
Purchase of property and equipment	(20,609)	(56,128)
	(1,424,352)	(56,128)
Financing activity		
Repayment of capital lease obligation	(14,689)	(13,488)
(Decrease) increase in cash and cash equivalents	(1,127,524)	569,536
Cash and cash equivalents, beginning of year	7,088,697	6,519,161
Cash and cash equivalents, end of year	5,961,173	7,088,697
Represented by		
Cash	5,961,173	6,981,328
Cash equivalents	-	107,369
	5,961,173	7,088,697

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2014

(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 also committed to helping developing nations improve access to quality education and training.

The Agency receives substantially all of its revenue on the basis of voluntary 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 for the foreseeable future. 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 accounting standards for not-for-profit organisations ("ASNPO") 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*

The Agency initially measures its financial assets and financial liabilities at fair value when the Agency becomes a party to the contractual provisions of the financial instrument. Subsequently, investments in equity instruments in an active market are measured at fair value and all other financial instruments are measured at amortised cost.

Transaction costs related to financial instruments measured at fair value are expensed as incurred. Transaction costs related to other financial instruments are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognised over the expected life of the instrument using the straight-line method. Any premium or discount related to an instrument measured at amortised cost is amortised over the expected life of the item using the straight-line method and recognised in the statement of revenues and expenditures as interest income or expense.

With respect to financial assets measured at amortised cost, the Agency recognises in the statement of revenues and expenditures an impairment loss, if any, when it determines that a significant adverse change has occurred during the period in the expected timing or amount of future cash flows. When the extent of impairment of a previously written-down asset decreases and the decrease can be related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the statement of revenues and expenditures in the period the reversal occurs.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2014

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(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, 2014.

(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. Contributions are recognised as receivable when the amount can be reasonably estimated and ultimate collection is reasonably assured.

Revenue resulting from the supply of contracted 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.

Interest revenue is recognised when it becomes receivable.

Interest earned on cash and cash equivalents, term deposits, temporary investments, and any realised gains or losses on the sale of investments are included in revenue in the statement of revenues and expenditures.

(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.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2014

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(g) Use of estimates

The preparation of 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 date of the financial statements and revenues and expenses for the periods reported. Actual results could materially differ from those estimates. The most significant estimate included in these financial statements is the collectability of contributions receivable.

(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 13.

4. Controlled organisation

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. Restricted cash and net assets internally restricted

In accordance with its Reserves Policy, the Agency has set aside cash of \$4,700,000 (2013 - \$3,300,000) in the form of interest bearing guaranteed investments renewable at fixed intervals. At June 30, 2014 accrued interest amounted to \$19,524 (2013 - \$25,153). The Agency maintains a restricted cash reserve of no less than 6 months of the annual plan of expenditures. The policy, prior to June 30, 2013, was to maintain a reserve of no less than 4 months of the annual plan of expenditures. The cash reserve is intended to cover unforeseen significant variations from budgeted revenues and expenditures.

6. Term deposit

The Agency has deposited a total of \$154,268 (2013 - \$151,796) with a Canadian chartered bank as collateral for a letter of credit pertaining to the lease of the office premises and for credit card facilities. The Agency has indicated that this term deposit will be held long-term.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2014

(Expressed in Canadian dollars)

7. Property and equipment

	2014		2013
	Cost	Accumulated amortisation	Net book value
	\$	\$	\$
Audio-visual and communication equipment	71,257	45,389	25,868
Computer equipment and software	416,517	350,098	66,419
Equipment under capital lease	63,121	60,547	2,574
Furniture and fixtures	248,527	233,778	14,749
Leasehold improvements	389,576	368,411	21,165
	1,188,998	1,058,223	130,775

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2014

(Expressed in Canadian dollars)

8. Deferred revenue

	2013	Funds received	Revenue recognised	2014
	\$	\$	\$	\$
Grants and special projects				
Association of Commonwealth				
Universities	-	8,604	(8,604)	-
Canadian International				
Development Agency	797,081	-	(175,704)	621,377
Commonwealth Foundation	-	5,010	(5,010)	-
Commonwealth Secretariat	-	26,593	(26,593)	-
Department of International				
Development, United Kingdom	-	217,406	(217,406)	-
Ford Foundation	41,490	-	(41,490)	-
Foundation Open Society Institute	799	-	(799)	-
International Development				
Research Centre	-	50,864	(16,585)	34,279
Materials Development Fund	68,904	37,935	(36,495)	70,344
Microsoft	-	32,400	(32,400)	-
Miscellaneous	-	1,169	(1,169)	-
National Institute of Open Schooling	-	10,722	-	10,722
Open University	15,623	-	(15,623)	-
Pan-Commonwealth Forum				
Registration Fees	-	56,636	(56,636)	-
UNESCO	28,118	65,685	(93,803)	-
UNICEF	-	31,092	(31,092)	-
University of London	7,694	-	(7,694)	-
William and Flora				
Hewlett Foundation	107,124	7,985	(115,109)	-
World Bank	-	25,905	(25,905)	-
	1,066,833	578,006	(908,117)	736,722
Contract services for eLearning				
Council of Europe				
Inter-American	-	159,685	(159,685)	-
Development Bank	8,000	9,260	(14,610)	2,650
International Labour				
Organisation	26,400	-	(26,400)	-
Office of Internal Oversight	-	53,711	(53,711)	-
United Nations High				
Commission for Refugees	31,425	255,287	(175,532)	111,180
World Bank	16,215	145,663	(161,878)	-
World Health Organisation	-	65,300	(65,300)	-
	82,040	688,906	(657,116)	113,830
	1,148,873	1,266,912	(1,565,233)	850,552

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2014

(Expressed in Canadian dollars)

9. Obligation under capital lease

The Agency's lease agreement for office equipment expires in August 2014. The repayments under the terms of the lease are as follows:

	2014	2013
	\$	\$
2014	-	15,588
2015	2,598	2,598
	2,598	18,186
Less: amount representing interest at 6.9% per annum	745	1,644
	1,853	16,542
Current portion	1,853	14,689
	-	1,853

10. Deferred contributions

The Agency has deferred member government contributions from three countries as at June 30, 2014 (2013 - one country) which relate to funding for the next fiscal year.

11. Deferred lease inducements

	2014		2013
	Cost	Accumulated amortisation	Net book value
	\$	\$	\$
Tenant improvements	382,000	360,949	21,051
Early occupancy benefit	192,386	181,783	10,603
	574,386	542,732	31,654

12. Salaries, benefits and allowances

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

The Agency withholds an internal levy corresponding to the income taxes that would otherwise be withheld from employees' remuneration. The proceeds from the levy are used to defray the expenses of the Agency and are not required to be remitted to the Government of Canada as withholdings.

During the year ended June 30, 2014, \$362,689 (2013 - \$333,032) arising from these internal levies relating to employees who are not exempted from taxation has been offset against salaries.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2014

(Expressed in Canadian dollars)

13. Allocation of expenses

Human resources, site and office costs of \$4,222,334 (2013 - \$4,203,626) have been allocated as follows:

	2014	2013
	\$	\$
Programmes and grants	2,988,205	2,978,229
Organisational management	1,017,282	979,639
Contract services	216,847	245,758
	4,222,334	4,203,626

14. Financial instruments

(a) Credit risk exposures

Credit risk is the risk that a counterparty will fail to perform its obligations. The Agency's exposures to credit risk are as indicated by the carrying amount of its accounts receivable, contributions receivable, and restricted cash. The Agency assesses, on a continuous basis, its accounts receivable and contributions receivable, and provides for any amounts that are uncollectible in the allowance for doubtful accounts. The Agency's cash and cash equivalents, term deposit and restricted cash are kept with reputable banks in Canada and India.

(b) Interest rate risk exposures

All of the Agency's financial instruments are non-interest bearing except for cash and cash equivalents, term deposit and restricted cash that earn interest at market rates. The Agency does not use derivative financial instruments to mitigate risk.

(c) 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, 2014, the approximate net assets denominated in UK pounds are £128,691 (2013 - £117,114), in US dollars are \$1,119,120 (2013 - \$1,843,165) and in Indian rupees are Rs16,116,828 (2013 - Rs11,668,855). The Agency does not use derivative financial instruments to mitigate risk.

(d) Liquidity risk

The Agency's objective is to have sufficient liquidity to meet its liabilities when due. The Agency monitors its cash balances and cash flows generated from funding to meet its requirements.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2014

(Expressed in Canadian dollars)

15. Commitment

The Agency is committed to lease office premises for the years ended June 30, 2015 through to 2025 with minimum lease payments as follows:

	\$
2015	280,261
2016	448,770
2017	422,210
2018	422,210
2019	424,046
Thereafter	2,694,563
	<u>4,692,060</u>

The Agency is moving to new leased office premises in December 2014. The Agency has committed an amount of \$175,000 (net of lessor inducements) for leasehold improvements.

Commonwealth of Learning

Consolidated schedule of member governments funding year ended June 30, 2014

(Expressed in Canadian dollars)

	2014	2013
	\$	\$
Canada	2,600,000	2,600,000
United Kingdom	2,174,063	1,878,600
India	967,967	899,576
New Zealand	711,120	674,785
Nigeria	589,000	482,516
Australia	508,000	533,500
South Africa	250,000	250,000
Botswana	109,420	98,960
Namibia	106,400	99,612
Kenya	97,095	-
Trinidad and Tobago	77,550	77,250
Lesotho	75,180	69,925
Ghana	64,980	60,600
Bahamas	62,940	59,376
Samoa	62,184	58,698
Mauritius	60,000	60,000
Mozambique	51,000	50,500
Malaysia	50,000	50,000
Barbados	46,638	44,023
Jamaica	40,137	44,024
Pakistan	35,000	35,000
Cameroon	34,732	83,160
Swaziland	32,670	30,160
Tanzania	32,653	60,594
Belize	31,470	29,763
Bangladesh	31,470	29,616
Sri Lanka	31,200	29,763
Saint Kitts and Nevis	31,092	29,349
Kiribati	21,953	20,474
Zambia	21,073	29,616
Tonga	20,728	19,842
Saint Lucia	18,912	18,153
Cyprus	16,708	15,137
Malta	16,583	14,675
Seychelles	16,582	14,844
Papua New Guinea	16,090	-
Guyana	15,546	15,412
Rwanda	13,637	12,936
Uganda	13,051	-
Grenada	11,107	-
Tuvalu	10,364	9,921
Dominica	10,351	-
Maldives	5,554	5,155
Nauru	5,510	4,892
Antigua and Barbuda	5,200	4,948
Vanuatu	5,170	4,960
Malawi	-	9,872
Solomon Islands	-	5,050
	9,208,080	8,625,237

The accompanying notes to the consolidated financial statements are an integral part of this consolidated financial statement.