

Consolidated financial statements of

Commonwealth of Learning

June 30, 2015

Commonwealth of Learning

June 30, 2015

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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, 2015 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, 2015 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 Professional Accountants
November 18, 2015
Vancouver, British Columbia

Commonwealth of Learning

Consolidated statement of revenues and expenditures year ended June 30, 2015

(Expressed in Canadian dollars)

	2015	2014
	\$	\$
Revenue		
Member governments (Schedule)	9,990,205	9,208,080
Grants (Note 8)	795,959	908,117
Contract services (Note 8)	609,277	657,116
Interest	135,677	133,110
	11,531,118	10,906,423
Expenditures		
Programmes and grants (Note 13)	7,650,251	8,138,690
Organisational management (Note 13)	1,186,741	1,215,520
Contract services (Note 13)	596,433	593,244
Governance	165,722	140,665
Amortisation	120,303	110,462
Loss on disposal of property and equipment	2,059	619
Foreign exchange gain	(364,204)	(99,297)
	9,357,305	10,099,903
Excess of revenues over expenditures	2,173,813	806,520

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, 2015

(Expressed in Canadian dollars)


	Invested in property and equipment	Internally restricted (Note 5)	Unrestricted	Total
	\$	\$	\$	\$
Balance, June 30, 2014	107,872	4,719,524	5,385,441	10,212,837
(Deficiency) excess of revenues over expenditures	(70,081)	(1,566)	2,245,460	2,173,813
Net investment in property and equipment	265,945	-	(265,945)	-
Balance, June 30, 2015	303,736	4,717,958	7,364,956	12,386,650

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, 2015
 (Expressed in Canadian dollars)

	2015	2014
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	5,036,003	5,961,173
Temporary investments	4,007,733	-
Restricted cash (Note 5)	3,293,141	3,312,913
Term deposit (Note 6)	156,663	-
Contributions receivable	-	690,951
Accounts receivable	123,976	141,063
Prepaid expenses	85,430	76,652
	12,702,946	10,182,752
Deposit on leased premises	37,020	102,036
Restricted cash (Note 5)	1,424,817	1,406,611
Term deposit (Note 6)	-	154,268
Property and equipment (Note 7)	813,098	130,775
	14,977,881	11,976,442
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	740,927	769,702
Government remittances payable	18,332	17,516
Deferred revenue (Note 8)	1,091,064	850,552
Current portion of obligation under capital leases (Note 9)	12,014	1,853
Deferred contributions (Note 10)	86,562	92,328
	1,948,899	1,731,951
Obligation under capital leases (Note 9)	32,770	-
Deferred lease inducements (Note 11)	609,562	31,654
	2,591,231	1,763,605
Commitments (Note 15)		
Net assets		
Net assets invested in property and equipment	303,736	107,872
Net assets internally restricted (Note 5)	4,717,958	4,719,524
Unrestricted net assets	7,364,956	5,385,441
	12,386,650	10,212,837
	14,977,881	11,976,442

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, 2015

(Expressed in Canadian dollars)

	2015	2014
	\$	\$
Operating activities		
Cash received from member governments	10,675,391	9,140,585
Cash received from grants and contract services	1,632,898	1,189,765
Interest received from cash and cash equivalents	127,372	140,010
Cash paid for operating activities	(9,094,886)	(10,158,843)
	<u>3,340,775</u>	<u>311,517</u>
Investing activities		
Proceeds from restricted cash	3,300,000	6,299,900
Purchase of restricted cash	(3,300,000)	(7,703,643)
Purchase of temporary investments	(4,000,000)	-
Purchase of property and equipment	(308,875)	(20,609)
	<u>(4,308,875)</u>	<u>(1,424,352)</u>
Financing activities		
Proceeds from capital lease obligations	52,455	-
Repayment of capital lease obligations	(9,525)	(14,689)
	<u>42,930</u>	<u>(14,689)</u>
Decrease in cash and cash equivalents	(925,170)	(1,127,524)
Cash and cash equivalents, beginning of year	5,961,173	7,088,697
Cash and cash equivalents, end of year	<u>5,036,003</u>	<u>5,961,173</u>
Represented by		
Cash	5,036,003	5,961,173
Cash equivalents	-	-
	<u>5,036,003</u>	<u>5,961,173</u>

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, 2015

(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 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, 2015

(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, 2015.

(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 received or 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, 2015

(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.

(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 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 Reserve Policy, the Agency has set aside cash of \$4,700,000 (2014 - \$4,700,000) in the form of interest bearing guaranteed investments renewable at fixed intervals. At June 30, 2015 accrued interest amounted to \$17,958 (2014 - \$19,524). The Agency maintains a restricted cash reserve of no less than 6 months of the annual plan of expenditures. Commencing July 1, 2015, the cash reserve will be increased to maintain a reserve of no less than 12 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 \$156,663 (2014 - \$154,268) with a Canadian chartered bank as collateral for credit card facilities.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

7. Property and equipment

			2015	2014
	Cost	Accumulated amortisation	Net book value	Net book value
	\$	\$	\$	\$
Audio-visual and communication equipment	54,415	16,960	37,455	25,868
Computer equipment and software	448,807	384,821	63,986	66,419
Equipment under capital lease	52,455	7,602	44,853	2,574
Furniture and fixtures	226,700	185,124	41,576	14,749
Leasehold improvements	667,260	42,032	625,228	21,165
	1,449,637	636,539	813,098	130,775

8. Deferred revenue

	2014	Funds received	Revenue recognised	2015
	\$	\$	\$	\$
Grants and special projects				
Asian Development Bank	-	52,250	(52,250)	-
British Council	-	97,838	(97,838)	-
Department of Foreign Affairs and Trade - Australia	-	479,533	(17,159)	462,374
Department of Foreign Affairs, Trade, and Development - Canada	621,377	-	(222,758)	398,619
Department for International Development - United Kingdom	-	232,337	(232,337)	-
Government of India	-	5,124	(5,124)	-
International Development Research Centre	34,279	43,682	(77,961)	-
Materials Development Fund	70,344	15,135	-	85,479
Miscellaneous	-	2,601	(2,601)	-
National Institute of Open Schooling	10,722	(670)	(10,052)	-
William and Flora Hewlett Foundation	-	162,949	(77,879)	85,070
	736,722	1,090,779	(795,959)	1,031,542
Contract services for eLearning				
Council of Europe	-	82,444	(82,444)	-
Inter-American Development Bank	2,650	7,193	(9,843)	-
International Labour Organization	-	33,300	(33,300)	-
UNICEF	-	83,708	(83,708)	-
United Nations High Commission for Refugees	111,180	245,168	(301,776)	54,572
World Bank	-	103,156	(98,206)	4,950
	113,830	554,969	(609,277)	59,522
	850,552	1,645,748	(1,405,236)	1,091,064

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2015

(Expressed in Canadian dollars)

9. Obligation under capital lease

The Agency's lease agreement for office equipment expires in August 2019. The repayments under the terms of the lease are as follows:

	2015	2014
	\$	\$
2015	-	2,598
2016	12,014	-
2017	12,014	-
2018	12,014	-
2019	12,014	-
2020	2,563	-
	50,619	2,598
Less: amount representing interest at 5.9% (2014 - 6.9%) per annum	5,835	745
	44,784	1,853
Current portion	12,014	1,853
	32,770	-

10. Deferred contributions

The Agency has deferred member government contributions from one country as at June 30, 2015 (2014 - three countries) which relate to funding for the next fiscal year.

11. Deferred lease inducements

The deferred lease inducements represent the reimbursement by the landlord of certain expenditures for leasehold improvements undertaken by the Agency, early occupancy benefit and graduated rental increases as inducements to enter into a long-term lease. These inducements are amortised as a reduction of rental expense over the term of the lease.

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, 2015, \$397,939 (2014 - \$362,689) 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, 2015

(Expressed in Canadian dollars)

13. Allocation of expenses

Human resources, site and office costs of \$4,479,906 (2014 - \$4,222,334) have been allocated as follows:

	2015	2014
	\$	\$
Programme and grants	3,195,653	2,988,205
Organisational management	1,032,031	1,017,282
Contract services	252,222	216,847
	<u>4,479,906</u>	<u>4,222,334</u>

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, temporary investments, 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, temporary investments, 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, 2015, the approximate net assets denominated in UK pounds are £108,380 (2014 - £128,691), in US dollars are \$1,999,905 (2014 - \$1,119,120) and in Indian rupees are Rs6,839,752 (2014 - Rs16,116,828). 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, 2015

(Expressed in Canadian dollars)

15. Commitments

The Agency is committed to lease office premises for the years ended June 30, 2016 through to 2025 with minimum lease payments as follows:

	\$
2016	266,396
2017	266,596
2018	242,396
2019	244,232
2020	264,432
Thereafter	1,366,232
	<hr/> 2,650,284

Commonwealth of Learning

Consolidated schedule of member governments funding year ended June 30, 2015

(Expressed in Canadian dollars)

	2015	2014
	\$	\$
Canada	2,600,000	2,600,000
United Kingdom	2,416,310	2,174,063
India	1,081,902	967,967
Nigeria	728,412	589,000
New Zealand	704,470	711,120
Australia	479,533	508,000
Malaysia	297,320	50,000
South Africa	250,000	250,000
Botswana	113,260	109,420
Namibia	109,300	106,400
Lesotho	86,317	75,180
Trinidad and Tobago	82,590	77,550
Sri Lanka	69,483	31,200
Bahamas	65,580	62,940
Samoa	65,580	62,184
Mauritius	60,000	60,000
Sierra Leone	56,786	-
Jamaica	56,785	40,137
Mozambique	54,450	51,000
Kenya	54,416	97,095
Barbados	49,554	46,638
Bangladesh	37,098	31,470
Uganda	37,098	13,051
Papua New Guinea	36,993	16,090
Zambia	36,993	21,073
Pakistan	35,000	35,000
Tanzania	34,797	32,653
Belize	33,036	31,470
Saint Kitts and Nevis	33,036	31,092
Cameroon	31,429	34,732
Kiribati	24,701	21,953
Tonga	21,860	20,728
Saint Lucia	20,098	18,912
Rwanda	18,928	13,637
Cyprus	16,984	16,708
Seychelles	16,818	16,582
Guyana	16,518	15,546
Malta	16,395	16,583
Tuvalu	10,930	10,364
Maldives	6,310	5,554
Dominica	6,183	10,351
Grenada	6,058	11,107
Nauru	5,506	5,510
Antigua and Barbuda	5,388	5,200
Ghana	-	64,980
Swaziland	-	32,670
Vanuatu	-	5,170
	9,990,205	9,208,080

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