
Consolidated financial statements of Commonwealth of Learning

June 30, 2018

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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, 2018, and the consolidated statements of revenue 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, 2018 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.



Chartered Professional Accountants
November 22, 2018
Vancouver, British Columbia

Commonwealth of Learning

Consolidated statement of revenue and expenditures

Year ended June 30, 2018

(Expressed in Canadian dollars)

	Notes	2018	2017
		\$	\$
Revenue			
Member governments (Schedule)		12,486,836	10,620,813
Grants and projects	7	1,498,727	2,136,341
Contract services	7	640,030	631,277
Interest		329,182	238,690
		14,954,775	13,627,121
Expenditures			
Programmes, grants and projects	12	8,675,736	8,669,142
Organisational management	12	1,204,417	1,119,912
Contract services	12	612,352	620,792
Governance		116,507	121,592
Amortisation		121,288	118,748
Loss on disposal of property and equipment		388	759
Foreign exchange gain		(101,543)	(28,027)
		10,629,145	10,622,918
Excess of revenue over expenditures		4,325,630	3,004,203

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

Commonwealth of Learning**Consolidated statement of changes in net assets**Year ended June 30, 2018
(Expressed in Canadian dollars)

	Invested in property and equipment	Internally restricted (Note 5)	Unrestricted	Total
	\$	\$	\$	\$
Balance, June 30, 2017	288,621	9,686,525	7,963,907	17,939,053
(Deficiency) excess of revenue over expenditures	(74,828)	170,224	4,230,234	4,325,630
Internal restriction	—	200,000	(200,000)	—
Net investment in property and equipment	54,796	—	(54,796)	—
Balance, June 30, 2018	268,589	10,056,749	11,939,345	22,264,683

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

Commonwealth of Learning
Consolidated statement of financial position
As at June 30, 2018
(Expressed in Canadian dollars)

	Notes	2018	2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		4,726,724	7,042,876
Temporary investments		11,141,707	3,056,198
Restricted cash	5	5,643,136	2,241,116
Contributions receivable		170,411	65,809
Accounts receivable		129,435	159,736
Prepaid expenses		29,577	271,562
		21,840,990	12,837,297
Deposit on leased premises		37,020	37,020
Restricted cash	5	4,413,613	7,445,409
Property and equipment	6	606,692	684,426
		26,898,315	21,004,152
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,002,504	644,105
Government remittances payable		17,220	17,663
Deferred revenue	7	1,168,829	1,818,333
Current portion of obligation under capital leases	8	12,014	12,014
Deferred contributions	9	1,945,855	33,451
		4,146,422	2,525,566
Obligation under capital leases	8	2,055	12,909
Deferred lease inducements	10	485,155	526,624
		4,633,632	3,065,099
Commitments	14		
Net assets			
Net assets invested in property and equipment		268,589	288,621
Net assets internally restricted	5	10,056,749	9,686,525
Unrestricted net assets		11,939,345	7,963,907
		22,264,683	17,939,053
		26,898,315	21,004,152

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

Approved by the Board of Governors



Governor



Governor

Commonwealth of Learning
Consolidated statement of cash flows
Year ended June 30, 2018
(Expressed in Canadian dollars)

	2018	2017
	\$	\$
Operating activities		
Cash received from member governments	14,294,638	10,657,970
Cash received from grants and contract services	1,648,482	1,654,110
Interest received from cash and cash equivalents	459,277	222,858
Cash paid for operating activities	(10,332,400)	(10,848,225)
	6,069,997	1,686,713
Investing activities		
Proceeds from restricted cash	2,968,749	1,796,328
Purchase of restricted cash	(3,326,371)	(2,303,110)
Purchase of temporary investments	(10,988,300)	(4,182,239)
Proceeds from temporary investments	3,014,569	4,556,409
Purchase of property and equipment	(43,941)	(34,108)
	(8,375,294)	(166,720)
Financing activities		
Repayment of capital lease obligations	(10,855)	(10,226)
(Decrease) increase in cash and cash equivalents	(2,316,152)	1,509,767
Cash and cash equivalents, beginning of year	7,042,876	5,533,109
Cash and cash equivalents, end of year	4,726,724	7,042,876

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

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2018

(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:

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.

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.

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, 2018

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

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, 2018.

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.

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, 2018

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

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.

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 12.

4. Controlled organisation

Commonwealth Educational Media Centre for Asia

CEMCA (the Centre) 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. The Centre was accorded full international agency status by the Government of India on August 31, 1998 and the Centre 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 the Centre'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 \$9,953,688 (\$9,577,813 in 2017) in the form of interest bearing guaranteed investments renewable at fixed intervals. At June 30, 2018 accrued interest amounted to \$103,061 (\$108,712 in 2017). The Agency maintains a restricted cash reserve of no less than 12 months of the average operating costs calculated each year based on the approved annual plan of expenditures for the following year. The cash reserve is intended to cover unforeseen significant variations from budgeted revenues and expenditures.

Commonwealth of Learning
Notes to the consolidated financial statements

June 30, 2018

(Expressed in Canadian dollars)

6. Property and equipment

	2018			2017
	Cost	Accumulated amortisation	Net book value	Net book value
	\$	\$	\$	\$
Audio-visual and communication equipment	56,909	32,833	24,076	26,956
Computer equipment and software	549,535	453,384	96,151	95,235
Equipment under capital lease	52,455	38,317	14,138	24,992
Furniture and fixtures	243,500	207,257	36,243	38,111
Leasehold improvements	667,260	231,176	436,084	499,132
	1,569,659	962,967	606,692	684,426

7. Deferred revenue

	2017	Funds received	Revenue recognised	2018
	\$	\$	\$	\$
Grants and special projects				
Association of Commonwealth Universities	—	56,628	(56,628)	—
Department of Foreign Affairs and Trade - Australia	—	481,166	—	481,166
European Union	—	12,864	—	12,864
Global Affairs Canada	1,522,482	-	(1,085,486)	436,996
Government of India	—	36,137	(36,137)	—
Materials Development Fund	114,960	61,540	(4,613)	171,887
Miscellaneous	—	171	(171)	—
Odisha Rural Development and Marketing Society	—	10,917	(4,438)	6,479
United Nations Development Programme	—	12,239	(12,239)	—
William and Flora Hewlett Foundation	52,586	246,429	(299,015)	—
	1,690,028	918,091	(1,498,727)	1,109,392
Contract services for eLearning				
Association of Commonwealth Universities	—	5,718	(5,718)	—
Council of Europe	—	34,776	(34,776)	—
International Labour Organization	48,080	—	(48,080)	—
National Accreditation Council, Guyana	12,675	—	(12,675)	—
Norwegian Red Cross	—	35,140	(35,140)	—
United Nations High Commission for Refugees	56,032	277,222	(288,254)	45,000
Women Deliver	—	132,784	(132,784)	—
World Bank	11,518	85,522	(82,603)	14,437
	128,305	571,162	(640,030)	59,437
	1,818,333	1,489,253	(2,138,757)	1,168,829

Commonwealth of Learning
Notes to the consolidated financial statements

June 30, 2018

(Expressed in Canadian dollars)

8. 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:

	2018	2017
	\$	\$
2018	—	12,014
2019	12,014	12,014
2020	2,563	2,563
	14,577	26,591
Less: amount representing interest at 5.9% (5.9% in 2016) per annum	508	1,668
	14,069	24,923
Current portion	12,014	12,014
	2,055	12,909

9. Deferred contributions

The Agency has deferred member government contributions from five countries as at June 30, 2018 (two countries in 2017) which relate to funding for the next fiscal year for four countries and for multiple years for the fifth country.

10. 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.

11. 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, 2018, \$309,618 (\$305,306 in 2017) arising from these internal levies relating to employees who are not exempted from taxation in Canada has been offset against salaries.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2018

(Expressed in Canadian dollars)

12. Allocation of expenses

Human resources, site and office costs of \$4,539,179 (\$4,342,288 in 2017) have been allocated as follows:

	2018	2017
	\$	\$
Programme and grants	3,267,655	3,126,040
Organisational management	1,046,588	945,371
Contract services	224,936	270,877
	4,539,179	4,342,288

13. Financial instruments

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.

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.

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, 2018, the approximate net assets denominated in UK pounds are £82,962 (£83,976 in 2017), in US dollars are \$1,893,026 (\$1,678,969 in 2017) and in Indian rupees are Rs63,309,971 (Rs21,573,764 in 2017). The Agency does not use derivative financial instruments to mitigate risk.

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, 2018

(Expressed in Canadian dollars)

14. Commitments

The Agency is committed to lease office premises for the years ended June 30, 2019 through to 2025 with minimum lease payments as follows:

	\$
2019	270,027
2020	292,456
2021	292,806
2022	297,094
2023	313,441
Thereafter	<u>549,063</u>
	<u>2,014,887</u>

Commonwealth of Learning

Schedule – Consolidated schedule of member governments funding

Year ended June 30, 2018

(Expressed in Canadian dollars)

	2018	2017
	\$	\$
Canada	2,600,000	2,600,000
Nigeria	2,417,919	749,600
United Kingdom	2,162,940	2,148,640
India	1,529,417	1,570,293
Australia	972,466	984,966
New Zealand	702,790	744,070
Ghana	267,948	—
South Africa	250,000	250,000
Namibia	126,050	158,905
Botswana	122,830	131,910
Trinidad and Tobago	92,122	—
Lesotho	91,700	93,429
Samoa	76,650	81,359
Bahamas	75,630	78,654
Fiji	64,628	—
Mozambique	63,445	64,710
Mauritius	60,000	60,000
Jamaica	59,081	41,821
Barbados	57,461	60,471
Papua New Guinea	57,299	39,987
Kenya	53,784	59,461
Malaysia	46,643	49,121
Cameroon	38,927	36,361
Zambia	38,664	39,894
Belize	38,307	39,327
Bangladesh	37,815	39,987
Sri Lanka	37,758	40,821
Saint Kitts and Nevis	36,849	39,987
Pakistan	35,000	35,000
eSwatini (formerly Swaziland)	32,115	13,393
Kiribati	25,832	27,180
Tonga	25,538	26,502
Saint Lucia	22,590	23,784
Guyana	19,987	19,663
Seychelles	19,157	19,876
Malta	19,120	19,663
Rwanda	18,908	39,869
Cyprus	18,270	16,678
Saint Vincent and the Grenadines	13,080	21,714
Tuvalu	12,771	13,109
Grenada	6,898	7,112
The Gambia	6,550	—
Nauru	6,550	6,626
Antigua and Barbuda	6,466	6,626
Vanuatu	6,366	6,694
Solomon Islands	6,302	6,555
Dominica	6,213	6,594
Malawi	—	40,314
Tanzania	—	40,821
Uganda	—	19,266
	12,486,836	10,620,813