
Consolidated financial statements of Commonwealth of Learning

June 30, 2019

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Independent Auditor's Report

To the Board of Governors of
Commonwealth of Learning

We have audited the consolidated financial statements of Commonwealth of Learning (the "Agency"), which comprise the consolidated statement of financial position as at June 30, 2019, and the consolidated statements of revenues and expenditures, changes in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Agency as at June 30, 2019, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Agency in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Agency or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Agency's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Agency to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
November 12, 2019
Vancouver, British Columbia

Commonwealth of Learning

Consolidated statement of revenue and expenditures

Year ended June 30, 2019

(Expressed in Canadian dollars)

	Notes/ Schedule	2019 \$	2018 \$
Revenue			
Member governments	A	10,702,600	12,486,836
Grants	7	1,110,136	1,498,727
Contract services	7	634,886	640,030
Interest		494,326	329,182
		12,941,948	14,954,775
Expenditures			
Programmes and grants	12	9,091,448	8,675,736
Organisational management	12	1,206,272	1,204,417
Contract services	12	473,730	612,352
Amortisation		124,064	121,288
Governance		112,418	116,507
Foreign exchange loss (gain)		17,586	(101,543)
(Gain) loss on disposal of property and equipment		(74)	388
		11,025,444	10,629,145
Excess of revenues over expenditures		1,916,504	4,325,630

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, 2019
(Expressed in Canadian dollars)

	Invested in property and equipment \$	Internally restricted (Note 5) \$	Capital fund (Note 5) \$	Programme expansion (Note 5) \$	Unrestricted \$	Total \$
Balance, June 30, 2017	288,621	9,686,525	—	—	7,963,907	17,939,053
Excess (deficiency) of expenditures	(74,828)	170,224	—	—	4,230,234	4,325,630
Internal restriction	—	200,000	—	—	(200,000)	—
Net investment in property equipment	54,796	—	—	—	(54,796)	—
Balance, June 30, 2018	268,589	10,056,749	—	—	11,939,345	22,264,683
Excess (deficiency) of revenue over expenditures	(77,142)	210,252	—	—	1,783,394	1,916,504
Internal restriction	—	500,000	10,000,000	500,000	(11,000,000)	—
Net investment in property and equipment	45,898	—	—	—	(45,898)	—
Balance, June 30, 2019	237,345	10,767,001	10,000,000	500,000	2,676,841	24,181,187

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

Commonwealth of Learning
Consolidated statement of financial position

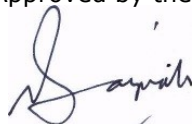
As at June 30, 2019

(Expressed in Canadian dollars)

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents		6,049,898	4,726,724
Temporary investments	5	12,962,298	16,784,843
Contributions receivable		6,643	170,411
Accounts receivable		109,722	129,435
Prepaid expenses		172,105	29,577
		19,300,666	21,840,990
Deposit on leased premises		37,020	37,020
Investments	5	8,955,591	4,413,613
Property and equipment	6	517,080	606,692
		28,810,357	26,898,315
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		975,357	1,002,504
Government remittances payable		19,872	17,220
Deferred revenue	7	1,293,634	1,168,829
Current portion of obligation under capital leases	8	2,549	12,014
Deferred contributions	9	1,895,909	1,945,855
		4,187,321	4,146,422
Obligation under capital leases	8	—	2,055
Deferred lease inducements	10	441,849	485,155
		4,629,170	4,633,632
Commitments	14		
Net assets			
Invested in property and equipment		237,345	268,589
Internally restricted	5	10,767,001	10,056,749
Internally restricted for capital fund	5	10,000,000	—
Internally restricted for programme expansion	5	500,000	—
Unrestricted		2,676,841	11,939,345
		24,181,187	22,264,683
		28,810,357	26,898,315

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, 2019
(Expressed in Canadian dollars)

	2019	2018
	\$	\$
Operating activities		
Cash received from member governments	10,816,421	14,294,638
Cash received from grants and contract services	1,900,021	1,648,482
Interest received from cash and cash equivalents	663,898	459,277
Cash paid for operating activities	(10,795,864)	(10,332,400)
	2,584,476	6,069,997
Investing activities		
Proceeds from investments and temporary investments	20,450,661	5,983,318
Purchase of investments and temporary investments	(21,666,065)	(14,314,671)
Purchase of property and equipment	(34,378)	(43,941)
	(1,249,782)	(8,375,294)
Financing activities		
Repayment of capital lease obligations	(11,520)	(10,855)
Net change in cash and cash equivalents	1,323,174	(2,316,152)
Cash and cash equivalents, beginning of year	4,726,724	7,042,876
Cash and cash equivalents, end of year	6,049,898	4,726,724

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

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2019

(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, and is exempt from income taxes.

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 be necessary should the Agency not receive sufficient levels of funding in the foreseeable future.

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.

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, 2019

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(c) 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, 2019.

(d) 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. 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 their fair value can be reasonably determined.

Interest earned on cash and cash equivalents, temporary investments, investments, and any realised gains or losses on the sale of investments, are included in revenue in the period earned.

(e) 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, 2019

(Expressed in Canadian dollars)

3. Significant accounting policies (continued)

(f) 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.

(g) 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 the 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. Temporary investments, investments and net assets internally restricted

In accordance with its Reserve Policy, the Agency has set aside \$10,585,019 (\$9,953,688 in 2018) of interest bearing guaranteed investments renewable at fixed intervals. At June 30, 2019, accrued interest amounted to \$181,982 (\$103,061 in 2018). The Agency maintains a reserve of no less than 12 months of the annual plan of expenditures which is intended to cover unforeseen significant variations from budgeted revenues and expenditures. An additional \$500,000 was contributed to this internally restricted fund during the year ended June 30, 2019 (\$200,000 in 2018).

The Agency has established a capital fund of \$10,000,000 for the future acquisition of a permanent site and a contingency fund of \$500,000 to enable programme expansion.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2019

(Expressed in Canadian dollars)

6. Property and equipment

	Cost \$	Accumulated amortisation \$	2019 Net book value \$	2018 Net book value \$
Audio-visual and communication equipment	56,909	38,196	18,713	24,076
Computer equipment and software	581,126	489,169	91,957	96,151
Equipment under capital lease	52,455	49,837	2,618	14,138
Furniture and fixtures	244,734	213,978	30,756	36,243
Leasehold improvements	667,260	294,224	373,036	436,084
	1,602,484	1,085,404	517,080	606,692

7. Deferred revenue

	2018 \$	Funds received \$	Revenue recognised \$	2019 \$
Grants and special projects				
Association of Commonwealth Universities	—	50,102	(50,102)	—
Commonwealth Foundation	—	8,656	—	8,656
Department of Foreign Affairs and Trade - Australia	481,166	475,717	(273,038)	683,845
European Union	12,864	—	(12,864)	—
Global Affairs Canada	436,996	—	(436,996)	—
Government of India	—	19,016	(19,016)	—
Human Resource Development Council Botswana	—	33,838	(33,838)	—
Indira Gandhi National Open University	—	9,570	—	9,570
Materials Development Fund	171,887	38,422	(8,000)	202,309
Ministry of Foreign Affairs and Trade - New Zealand	—	120,405	—	120,405
Miscellaneous	—	4,535	(3,187)	1,348
National Institute of Open Schooling	—	13,287	—	13,287
National Open University of Nigeria	—	13,459	—	13,459
Odisha Rural Development and Marketing Society	6,479	—	(6,479)	—
Open Polytechnic - New Zealand	—	6,689	—	6,689
University of South Africa	—	31,084	(31,084)	—
William and Flora Hewlett Foundation	—	469,598	(235,532)	234,066
	1,109,392	1,294,378	(1,110,136)	1,293,634

Commonwealth of Learning
Notes to the consolidated financial statements

June 30, 2019

(Expressed in Canadian dollars)

7. Deferred revenue (continued)

	2018	Funds received	Revenue recognised	2019
	\$	\$	\$	\$
Contract services for eLearning				
Council of Europe	—	200	(200)	—
International Labour Organization	—	52,640	(52,640)	—
United Nations Children's Fund	—	43,375	(43,375)	—
United Nations High				
Commission for Refugees	45,000	327,370	(372,370)	—
United Nations Population Fund	—	39,625	(39,625)	—
Women Deliver	—	21,160	(21,160)	—
World Bank	14,437	91,079	(105,516)	—
	<u>59,437</u>	<u>575,449</u>	<u>(634,886)</u>	<u>—</u>

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:

	2019	2018
	\$	\$
2019	—	12,014
2020	2,563	2,563
	2,563	14,577
Less: amount representing interest at 5.9% (2018 - 5.9%) per annum	14	508
	2,549	14,069
Current portion	2,549	12,014
	<u>—</u>	<u>2,055</u>

9. Deferred contributions

The Agency has deferred member government contributions from four countries as at June 30, 2019 (five countries in 2018). The deferred funding from three of the countries relates to the fiscal year ended June 30, 2020 and the deferred funding from the fourth country relates to funding for the next seven fiscal years.

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.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2019

(Expressed in Canadian dollars)

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.

During the year ended June 30, 2019, \$346,088 (\$309,618 in 2018) arising from these internal levies relating to employees who are not exempted from taxation has been offset against salaries expense.

12. Allocation of expenses

Human resources, site and office costs of \$4,635,284 (\$4,539,179 in 2018) have been allocated as follows:

	2019	2018
	\$	\$
Programmes and grants	3,410,616	3,267,655
Organisational management	1,028,191	1,046,588
Contract services	196,477	224,936
	4,635,284	4,539,179

13. Financial risks

(a) Credit risk exposures

Credit risk is the risk that a counterparty will fail to perform its obligations. The Agency's exposure to credit risk is represented by the carrying amounts of its cash and cash equivalents, temporary investments, accounts receivable, contributions receivable, investments and deposit on leased premises. The Agency assesses, on a continuous basis, its accounts receivable and contributions receivable, and provides for any amounts that are uncollectible in an allowance for doubtful accounts. The Agency's cash and cash equivalents, temporary investments and investments 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 and restricted cash that earn interest at market rates. The Agency does not use derivative financial instruments to mitigate this risk.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2019

(Expressed in Canadian dollars)

13. Financial instruments (continued)

(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, 2019, the approximate net assets denominated in UK pounds are £196,640 (£82,962 in 2018), in US dollars are \$2,177,675 (\$1,893,026 in 2018) and in Indian rupees are Rs60,571,115 (Rs63,309,971 in 2018). The Agency does not use derivative financial instruments to mitigate this 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.

14. Commitments

The Agency is committed to lease office premises for the years ended June 30, 2020 through to 2025 with minimum lease payments as follows:

	\$
2020	292,456
2021	292,806
2022	297,094
2023	313,441
2024	286,468
Thereafter	262,596
	<u>1,744,861</u>

Commonwealth of Learning**Consolidated schedule of member governments funding - Schedule A**

Year ended June 30, 2019

(Expressed in Canadian dollars)

	2019	2018
	\$	\$
Antigua and Barbuda	6,600	6,466
Australia	951,967	972,466
Bahamas	79,236	75,630
Bangladesh	40,377	37,815
Barbados	60,566	57,461
Belize	39,123	38,307
Botswana	134,320	122,830
Cameroon	38,927	38,927
Canada	2,600,000	2,600,000
Cyprus	17,779	18,270
Dominica	6,564	6,213
eSwatini	26,918	32,115
Fiji	66,000	64,628
Ghana	80,268	267,948
Grenada	6,566	6,898
Guyana	19,554	19,987
India	1,553,402	1,529,417
Jamaica	60,156	59,081
Kenya	60,565	53,784
Kiribati	26,756	25,832
Lesotho	—	91,700
Malawi	26,736	—
Malaysia	50,000	46,643
Malta	19,686	19,120
Mauritius	100,000	60,000
Mozambique	64,365	63,445
Namibia	130,370	126,050
Nauru	6,251	6,550
New Zealand	855,790	702,790
Nigeria	608,961	2,417,919
Pakistan	—	35,000
Papua New Guinea	40,377	57,299
Rwanda	—	18,908
Saint Kitts and Nevis	39,123	36,849
Saint Lucia	23,923	22,590
Saint Vincent and the Grenadines	6,651	13,080
Samoa	77,384	76,650
Seychelles	20,052	19,157
Sierra Leone	20,189	—
Solomon Islands	6,506	6,302
South Africa	250,000	250,000
Sri Lanka	40,134	37,758
Tanzania	89,488	—
The Gambia	6,643	6,550
Tonga	26,400	25,538
Trinidad and Tobago	97,777	92,122
Tuvalu	13,041	12,771
United Kingdom	2,200,380	2,162,940
Vanuatu	6,729	6,366
Zambia	—	38,664
	10,702,600	12,486,836