

Consolidated financial statements of

Commonwealth of Learning

June 30, 2016

Commonwealth of Learning

June 30, 2016

Table of contents

Independent Auditor's Report	1-2
Consolidated statement of revenues and expenditures	3
Consolidated statement of changes in net assets.....	4
Consolidated statement of financial position.....	5
Consolidated statement of cash flows.....	6
Notes to the consolidated financial statements.....	7-13
Consolidated schedule of member governments funding	14

Independent Auditor's Report

To the Board of Governors of
Commonwealth of Learning

We have audited the accompanying consolidated financial statements of Commonwealth of Learning (the "Agency"), which comprise the consolidated statement of financial position as at June 30, 2016, 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, 2016 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 organisations.

Deloitte LLP

Chartered Professional Accountants
November 10, 2016
Vancouver, British Columbia

Commonwealth of Learning

Consolidated statement of revenues and expenditures

year ended June 30, 2016

(Expressed in Canadian dollars)

	2016	2015
	\$	\$
Revenues		
Member governments (Schedule)	9,964,360	9,990,205
Grants (Note 7)	1,152,879	795,959
Contract services (Note 7)	617,598	609,277
Interest	187,107	135,677
	11,921,944	11,531,118
Expenditures		
Programmes and grants (Note 12)	7,486,549	7,650,251
Organisational management (Note 12)	1,128,552	1,186,741
Contract services (Note 12)	554,070	596,433
Amortisation	118,198	120,303
Governance	97,360	165,722
(Gain) loss on disposal of property and equipment	(1,308)	2,059
Foreign exchange gain	(9,677)	(364,204)
	9,373,744	9,357,305
Excess of revenues over expenditures	2,548,200	2,173,813

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, 2016

(Expressed in Canadian dollars)

	Invested in property and equipment	Internally restricted (Note 5)	Unrestricted	Total
	\$	\$	\$	\$
Balance, June 30, 2015	303,736	4,717,958	7,364,956	12,386,650
(Deficiency) excess of revenues over expenditures	(71,351)	83,726	2,535,825	2,548,200
Internal restriction	-	4,320,000	(4,320,000)	-
Net investment in property and equipment	84,560	-	(84,560)	-
Balance, June 30, 2016	316,945	9,121,684	5,496,221	14,934,850

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

Commonwealth of Learning

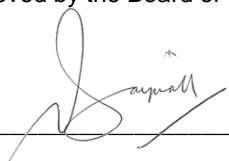
Consolidated statement of financial position

as at June 30, 2016

(Expressed in Canadian dollars)

	2016	2015
	\$	\$
Assets		
Current assets		
Cash	5,533,109	5,036,003
Temporary investments	3,436,390	4,007,733
Restricted cash (Note 5)	1,727,072	3,293,141
Term deposit	-	156,663
Contributions receivable	154,800	-
Accounts receivable	47,035	123,976
Prepaid expenses	83,822	85,430
	10,982,228	12,702,946
Deposit on leased premises	37,020	37,020
Restricted cash (Note 5)	7,394,612	1,424,817
Property and equipment (Note 6)	769,825	813,098
	19,183,685	14,977,881
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	730,531	740,927
Government remittances payable	17,639	18,332
Deferred revenue (Note 7)	2,812,137	1,091,064
Current portion of obligation under capital leases (Note 8)	12,014	12,014
Deferred contributions (Note 9)	85,285	86,562
	3,657,606	1,948,899
Obligation under capital leases (Note 8)	23,136	32,770
Deferred lease inducements (Note 10)	568,093	609,562
	4,248,835	2,591,231
Commitments (Note 14)		
Net assets		
Net assets invested in property and equipment	316,945	303,736
Net assets internally restricted (Note 5)	9,121,684	4,717,958
Unrestricted net assets	5,496,221	7,364,956
	14,934,850	12,386,650
	19,183,685	14,977,881

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, 2016

(Expressed in Canadian dollars)

	2016	2015
	\$	\$
Operating activities		
Cash received from member governments	9,808,283	10,675,391
Cash received from grants and contract services	3,565,333	1,632,898
Interest received from cash and cash equivalents	103,162	127,372
Cash paid for operating activities	(9,290,214)	(9,094,886)
	4,186,564	3,340,775
Investing activities		
Proceeds from restricted cash	3,280,000	3,300,000
Purchase of restricted cash	(7,600,000)	(3,300,000)
Purchase of temporary investments	(3,438,625)	(4,000,000)
Proceeds from temporary investments	4,153,727	-
Purchase of property and equipment	(74,926)	(308,875)
	(3,679,824)	(4,308,875)
Financing activities		
Proceeds from capital lease obligations	-	52,455
Repayment of capital lease obligations	(9,634)	(9,525)
	(9,634)	42,930
Increase (decrease) in cash	497,106	(925,170)
Cash, beginning of year	5,036,003	5,961,173
Cash, end of year	5,533,109	5,036,003

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, 2016

(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.

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, 2016

(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, 2016.

(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, 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.

(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, 2016

(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 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 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 \$9,020,018 (2015 - \$4,700,000) in the form of interest bearing guaranteed investments renewable at fixed intervals. At June 30, 2016 accrued interest amounted to \$101,666 (2015 - \$17,958). The Agency maintains a restricted cash 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.

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2016

(Expressed in Canadian dollars)

6. Property and equipment

			2016	2015
	Cost	Accumulated amortisation	Net book value	Net book value
	\$	\$	\$	\$
Audio-visual and communication equipment	54,415	22,210	32,205	37,455
Computer equipment and software	508,037	409,984	98,053	63,986
Equipment under capital lease	52,455	17,237	35,218	44,853
Furniture and fixtures	234,542	192,373	42,169	41,576
Leasehold improvements	667,260	105,080	562,180	625,228
	1,516,709	746,884	769,825	813,098

7. Deferred revenue

	2015	Funds received	Revenue recognised	2016
	\$	\$	\$	\$
Grants and special projects				
Department of Foreign Affairs and Trade - Australia	462,374	-	(186,646)	275,728
Global Affairs Canada	398,619	2,373,000	(515,469)	2,256,150
Government of India	-	41,924	(41,924)	-
International Development Research Centre	-	27,128	(27,128)	-
Materials Development Fund	85,479	-	(2,354)	83,125
Miscellaneous	-	100	(100)	-
Qatar Foundation	-	48,665	(45,506)	3,159
University of London	-	18,808	-	18,808
William and Flora Hewlett Foundation	85,070	333,649	(333,752)	84,967
	1,031,542	2,843,274	(1,152,879)	2,721,937
Contract services for eLearning				
Council of Europe	-	102,818	(102,818)	-
International Labour Organization	-	36,050	(36,050)	-
United Nations High Commission for Refugees	54,572	357,235	(321,607)	90,200
World Bank	4,950	55,385	(60,335)	-
World Health Organization	-	96,788	(96,788)	-
	59,522	648,276	(617,598)	90,200
	1,091,064	3,491,550	(1,770,477)	2,812,137

Commonwealth of Learning

Notes to the consolidated financial statements

June 30, 2016

(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:

	2016	2015
	\$	\$
2016	-	12,014
2017	12,014	12,014
2018	12,014	12,014
2019	12,014	12,014
2020	2,563	2,563
	38,605	50,619
Less: amount representing interest at 5.9% (2015 - 5.9%) per annum	3,455	5,835
	35,150	44,784
Current portion	12,014	12,014
	23,136	32,770

9. Deferred contributions

The Agency has deferred member government contributions from two countries as at June 30, 2016 (2015 - one country) which relate to funding for the next fiscal year for one country and the next three fiscal years for the second 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, 2016, \$298,006 (2015 - \$397,939) 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, 2016

(Expressed in Canadian dollars)

12. Allocation of expenses

Human resources, site and office costs of \$4,044,157 (2015 - \$4,479,906) have been allocated as follows:

	2016	2015
	\$	\$
Programme and grants	2,834,060	3,195,653
Organisational management	987,804	1,032,031
Contract services	222,293	252,222
	4,044,157	4,479,906

13. 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, 2016, the approximate net assets denominated in UK pounds are £55,548 (2015 - £108,380), in US dollars are \$1,325,476 (2015 - \$1,999,905) and in Indian rupees are Rs8,947,215 (2015 - Rs6,839,752). 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, 2016

(Expressed in Canadian dollars)

14. Commitments

The Agency is committed to lease office premises for the years ended June 30, 2017 through to 2025 with minimum lease payments as follows:

	\$
2017	266,596
2018	242,396
2019	244,232
2020	264,432
2021	264,432
Thereafter	1,101,800
	<hr/> 2,383,888

Commonwealth of Learning

Consolidated schedule of member governments funding year ended June 30, 2016

(Expressed in Canadian dollars)

	2016	2015
	\$	\$
United Kingdom	2,601,605	2,416,310
Canada	2,600,000	2,600,000
India	1,202,377	1,081,902
Australia	938,667	479,533
New Zealand	696,870	704,470
South Africa	250,000	250,000
Nigeria	154,221	728,412
Botswana	129,000	113,260
Namibia	109,640	109,300
Trinidad and Tobago	99,502	82,590
Lesotho	86,562	86,317
Bahamas	78,438	65,580
Samoa	75,854	65,580
Mozambique	66,400	54,450
Mauritius	60,000	60,000
Jamaica	59,701	56,785
Barbados	58,829	49,554
Kenya	58,535	54,416
Malaysia	48,881	297,320
Belize	39,801	33,036
Bangladesh	39,219	37,098
Saint Kitts and Nevis	39,219	33,036
Swaziland	39,219	-
Sri Lanka	38,826	69,483
Cameroon	38,457	31,429
Pakistan	35,000	35,000
Ghana	33,344	-
Kiribati	28,410	24,701
Tonga	25,638	21,860
Saint Lucia	24,069	20,098
Guyana	19,901	16,518
Seychelles	19,839	16,818
Malta	19,609	16,395
Sierra Leone	19,479	56,786
Papua New Guinea	19,350	36,993
Uganda	19,344	37,098
Solomon Islands	19,229	-
Cyprus	18,510	16,984
Tuvalu	13,149	10,930
Vanuatu	12,819	-
Grenada	7,112	6,058
Dominica	6,852	6,183
Maldives	6,450	6,310
Antigua and Barbuda	6,433	5,388
Zambia	-	36,993
Tanzania	-	34,797
Rwanda	-	18,928
Nauru	-	5,506
	9,964,360	9,990,205

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