Consolidated financial statements of

Commonwealth of Learning

June 30, 2017

Commonwealth of Learning
June 30, 2017

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Deloitte.

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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, 2017, 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, 2017 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 22, 2017
Vancouver, British Columbia

Commonwealth of Learning

Consolidated statement of revenues and expenditures
year ended June 30, 2017
(Expressed in Canadian dollars)

	2017	2016
	$	$
Revenues		
Member governments (Schedule)	**10,620,813**	9,964,360
Grants (Note 7)	**2,136,341**	1,152,879
Contract services (Note 7)	**631,277**	617,598
Interest	**238,690**	187,107
	13,627,121	11,921,944
Expenditures		
Programmes and grants (Note 12)	**8,669,142**	7,486,549
Organisational management (Note 12)	**1,119,912**	1,128,552
Contract services (Note 12)	**620,792**	554,070
Governance	**121,592**	97,360
Amortisation	**118,748**	118,198
Loss (gain) on disposal of property and equipment	**759**	(1,308)
Foreign exchange gain	**(28,027)**	(9,677)
	10,622,918	9,373,744
Excess of revenues over expenditures	**3,004,203**	2,548,200

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, 2017
(Expressed in Canadian dollars)

	Invested in property and equipment	Internally restricted (Note 5)	Unrestricted	Total
	$	$	$	$
Balance, June 30, 2016	316,945	9,121,684	5,496,221	14,934,850
(Deficiency) excess of revenue over expenditures	(72,658)	164,841	2,912,020	3,004,203
Internal restriction	-	400,000	(400,000)	-
Net investment in property and equipment	44,334	-	(44,334)	-
Balance, June 30, 2017	**288,621**	**9,686,525**	**7,963,907**	**17,939,053**

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, 2017
(Expressed in Canadian dollars)

	2017	2016
	$	$
Assets		
Current assets		
Cash and cash equivalents	**7,042,876**	5,533,109
Temporary investments	**3,056,198**	3,436,390
Restricted cash (Note 5)	**2,241,116**	1,727,072
Contributions receivable	**65,809**	154,800
Accounts receivable	**159,736**	47,035
Prepaid expenses	**271,562**	83,822
	12,837,297	10,982,228
Deposit on leased premises	**37,020**	37,020
Restricted cash (Note 5)	**7,445,409**	7,394,612
Property and equipment (Note 6)	**684,426**	769,825
	21,004,152	19,183,685
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**644,105**	730,531
Government remittances payable	**17,663**	17,639
Deferred revenue (Note 7)	**1,818,333**	2,812,137
Current portion of obligation under capital leases (Note 8)	**12,014**	12,014
Deferred contributions (Note 9)	**33,451**	85,285
	2,525,566	3,657,606
Obligation under capital leases (Note 8)	**12,909**	23,136
Deferred lease inducements (Note 10)	**526,624**	568,093
	3,065,099	4,248,835
Commitments (Note 14)		
Net assets		
Net assets invested in property and equipment	**288,621**	316,945
Net assets internally restricted (Note 5)	**9,686,525**	9,121,684
Unrestricted net assets	**7,963,907**	5,496,221
	17,939,053	14,934,850
	21,004,152	19,183,685

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, 2017
(Expressed in Canadian dollars)

	2017	2016
	$	$
Operating activities		
Cash received from member governments	**10,657,970**	9,808,283
Cash received from grants and contract services	**1,654,110**	3,565,333
Interest received from cash and cash equivalents	**222,858**	103,162
Cash paid for operating activities	**(10,848,225)**	(9,290,214)
	1,686,713	4,186,564
Investing activities		
Proceeds from restricted cash	**1,796,328**	3,280,000
Purchase of restricted cash	**(2,303,110)**	(7,600,000)
Purchase of temporary investments	**(4,182,239)**	(3,438,625)
Proceeds from temporary investments	**4,556,409**	4,153,727
Purchase of property and equipment	**(34,108)**	(74,926)
	(166,720)	(3,679,824)
Financing activities		
Repayment of capital lease obligations	**(10,226)**	(9,634)
	(10,226)	(9,634)
Increase in cash and cash equivalents	**1,509,767**	497,106
Cash and cash equivalents, beginning of year	**5,533,109**	5,036,003
Cash and cash equivalents, end of year	**7,042,876**	5,533,109

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

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.

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, 2017.

(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.

(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 ("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 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 $9,577,813 (2016 - $9,020,018) in the form of interest bearing guaranteed investments renewable at fixed intervals. At June 30, 2017 accrued interest amounted to $108,712 (2016 - $101,666). 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.

6. Property and equipment

			2017	2016
	Cost	**Accumulated amortisation**	**Net book value**	Net book value
	$	**$**	**$**	$
Audio-visual and communication equipment	**54,415**	**27,459**	**26,956**	32,205
Computer equipment and software	**535,281**	**440,046**	**95,235**	98,053
Equipment under capital lease	**52,455**	**27,463**	**24,992**	35,218
Furniture and fixtures	**237,988**	**199,877**	**38,111**	42,169
Leasehold improvements	**667,260**	**168,128**	**499,132**	562,180
	1,547,399	**862,973**	**684,426**	769,825

(Expressed in Canadian dollars)

7. Deferred revenue

	2016	Funds received	Revenue recognised	**2017**
	$	$	$	**$**
Grants and special projects				
Association of Commonwealth Universities	-	8,168	(8,168)	**-**
Commonwealth Foundation	-	5,010	(5,010)	**-**
Department of Foreign Affairs and Trade - Australia	275,728	-	(275,728)	**-**
Global Affairs Canada	2,256,150	-	(733,668)	**1,522,482**
Government of India	-	154,074	(154,074)	**-**
Materials Development Fund	83,125	31,835	-	**114,960**
Miscellaneous	-	1,037	(1,037)	**-**
National Institute of Open Schooling, India	-	10,000	(10,000)	**-**
National Open University of Nigeria	-	13,259	(13,259)	**-**
Odisha Rural Development and Marketing Society	-	54,236	(54,236)	**-**
Open University, United Kingdom	-	16,706	(16,706)	**-**
Qatar Foundation	3,159	-	(3,159)	**-**
University of London	18,808	-	(18,808)	**-**
William and Flora Hewlett Foundation	84,967	810,107	(842,488)	**52,586**
	2,721,937	1,104,432	(2,136,341)	**1,690,028**
Contract services for eLearning				
Council of Europe	-	49,974	(49,974)	**-**
International Labour Organization	-	115,230	(67,150)	**48,080**
Miscellaneous	-	1,690	(1,690)	**-**
National Accreditation Council, Guyana	-	51,896	(39,221)	**12,675**
Norwegian Red Cross	-	2,653	(2,653)	**-**
United Nations Children’s Fund	-	29,600	(29,600)	**-**
United Nations High Commission for Refugees	90,200	333,734	(367,902)	**56,032**
World Bank	-	84,605	(73,087)	**11,518**
	90,200	669,382	(631,277)	**128,305**
	2,812,137	1,773,814	(2,767,618)	**1,818,333**

(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:

	2017	2016
	$	$
2017	**-**	12,014
2018	**12,014**	12,014
2019	**12,014**	12,014
2020	**2,563**	2,563
	26,591	38,605
Less: amount representing interest at 5.9% (2016 - 5.9%) per annum	**1,668**	3,455
	24,923	35,150
Current portion	**12,014**	12,014
	12,909	23,136

9. Deferred contributions

The Agency has deferred member government contributions from two countries as at June 30, 2017 (2016 - two countries) which relate to funding for the next fiscal year for one country and the next two 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, 2017, $305,306 (2016 - $298,006) arising from these internal levies relating to employees who are not exempted from taxation has been offset against salaries.

12. Allocation of expenses

Human resources, site and office costs of $4,342,288 (2016 - $4,044,157) have been allocated as follows:

	2017	2016
	$	$
Programme and grants	**3,126,040**	2,834,060
Organisational management	**945,371**	987,804
Contract services	**270,877**	222,293
	4,342,288	4,044,157

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, 2017, the approximate net assets denominated in UK pounds are £83,976 (2016 - £55,548), in US dollars are $1,678,969 (2016 - $1,325,476) and in Indian rupees are Rs21,573,764 (2016 - Rs8,947,215). 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.

(Expressed in Canadian dollars)

14. Commitments

The Agency is committed to lease office premises for the years ended June 30, 2018 through to 2025 with minimum lease payments as follows:

	$
2018	242,396
2019	244,232
2020	264,432
2021	264,432
2022	266,268
Thereafter	835,532
	2,117,292

Commonwealth of Learning

Consolidated schedule of member governments funding
year ended June 30, 2017

(Expressed in Canadian dollars)

	2017	2016
	$	$
Canada	**2,600,000**	2,600,000
United Kingdom	**2,148,640**	2,601,605
India	**1,570,293**	1,202,377
Australia	**984,966**	938,667
Nigeria	**749,600**	154,221
New Zealand	**744,070**	696,870
South Africa	**250,000**	250,000
Namibia	**158,905**	109,640
Botswana	**131,910**	129,000
Lesotho	**93,429**	86,562
Samoa	**81,359**	75,854
Bahamas	**78,654**	78,438
Mozambique	**64,710**	66,400
Barbados	**60,471**	58,829
Mauritius	**60,000**	60,000
Kenya	**59,461**	58,535
Malaysia	**49,121**	48,881
Jamaica	**41,821**	59,701
Sri Lanka	**40,821**	38,826
Tanzania	**40,821**	-
Malawi	**40,314**	-
Bangladesh	**39,987**	39,219
Papua New Guinea	**39,987**	19,350
Saint Kitts and Nevis	**39,987**	39,219
Zambia	**39,894**	-
Rwanda	**39,869**	-
Belize	**39,327**	39,801
Cameroon	**36,361**	38,457
Pakistan	**35,000**	35,000
Kiribati	**27,180**	28,410
Tonga	**26,502**	25,638
Saint Lucia	**23,784**	24,069
Saint Vincent and the Grenadines	**21,714**	-
Seychelles	**19,876**	19,839
Guyana	**19,663**	19,901
Malta	**19,663**	19,609
Uganda	**19,266**	19,344
Cyprus	**16,678**	18,510
Swaziland	**13,393**	39,219
Tuvalu	**13,109**	13,149
Grenada	**7,112**	7,112
Vanuatu	**6,694**	12,819
Antigua and Barbuda	**6,626**	6,433
Nauru	**6,626**	-
Dominica	**6,594**	6,852
Solomon Islands	**6,555**	19,229
Ghana	**-**	33,344
Maldives	**-**	6,450
Sierra Leone	**-**	19,479
Trinidad and Tobago	**-**	99,502
	10,620,813	9,964,360

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