



International Baccalaureate®
Baccalauréat International
Bachillerato Internacional

Financial Review **2010**

Year ended 31 December 2010



Summary of results

(Figures in US\$, the IB's functional reporting currency)

The **International Baccalaureate's**[®] (IB's) income of \$116.3 million (excluding fundraising) was 14.5% higher than that of 2009 (\$101.6 million), representing another year of strong growth in the organization's activities. The increase in the number of authorized schools and students registering for examinations demonstrates the successful growth in the IB and its expansion to offer its programmes to an increasing number of students.

Total resources expended increased by \$25.9 million year on year, from \$100.7 million in 2009 to \$126.6 million in 2010. This includes an obligatory advance cost provision for the restructure programme and associated accelerated write-down of assets totalling \$10.1 million. Excluding this, resources

expended increased by \$15.8 million to \$116.5 million. The result for the year is a deficit of \$8.1 million, or a surplus of \$2.0 million excluding the provision.

On the balance sheet, fixed assets increased by \$6.2 million as the IB invested in its new global centre and electronic marking projects. Overall, debtors, investments and cash grew by 11.3%, although investments and cash reduced as cash collections were delayed. Together with the provision explained above, these movements reduced net assets to \$3.5 million. Of these assets, the IB's unrestricted reserves remain positive at \$1.3 million. \$59.6 million were held in cash and cash equivalents at the year end.

Reserves policy

The reserves policy adopted by the Board in April 2008 is intended to safeguard the IB, schools and students from any significant event that would impact on the financial position of the IB. In the event of a significant adverse event, the IB should be able to preserve its services until financial balance is restored and to react swiftly to unplanned activities throughout a given year on the approval of the finance committee.

In view of the IB's strong cash position, its ongoing relationships with schools and the desire not to hold excessive cash balances, the Board regards the maintenance of this cash position as the primary part of the reserves policy. Net expendable assets (a proxy for cash and net convertible cash calculated as net current assets excluding deferred income less restricted reserves) amount to \$76.1 million (2009 - \$67.7 million) representing 7.7 months (2009 - 7.8 months) of forward expenditure cover, against a target level of 6.0 months.

As a supplementary reserves target, the Board requires book reserves to be at a level of 2 to 3 months of operating fixed cost, ie. in the region of \$15 million to \$20 million. The Board has approved an investment program over a number of years to restructure the management, administration and processes of the IB in order to deal with the continued growth of its services across the world. Accordingly, the Board has agreed to accept a level of book reserves in the short term below this target and has agreed a plan to build reserves over the next 5 years to the level required.

The IB has a relatively stable portfolio of activities and the number of schools does not fluctuate greatly from year to year as each school undertakes a key stakeholder commitment and substantial financial investment at the time it joins the IB. The IB has no significant contracts or other medium/long term commitments, apart from the IB's Swiss pension scheme, that could incur future liabilities, and multi-year leases for its global centres in Bethesda (USA) and Cardiff (UK).

Funds

Within reserves, unrestricted designated funds and restricted funds have been set aside for specific future expenditure. Unrestricted designated funds reflect money that has been set aside by the IB for specific purposes and therefore can be re-assigned by the IB if required. Restricted funds reflect money that has been received by donors and can only be used for the purpose specified by the donor. In 2010, \$2.8 million of unrestricted designated funds set aside for initiatives to improve access and quality for IB World Schools in North America were expended.

Investment policy

The IB's investment policy is currently risk averse; surplus cash is invested in money market accounts and charity bonds to secure rates above those expected in deposit accounts. The IB does not invest in equities or any other investment that is subject to capital fluctuations. The IB has sufficient cash resources to avoid the need to borrow funds; the high cash balances at year end are a reflection of the large influx of cash from examination billing in November 2010 relating to examination income and activities in 2011.

Disclosure of information to auditors

The IB's Board of governors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the IB's auditors are unaware, and each governor has taken all the steps that he or she ought to have taken as a governor to make himself or herself aware of any relevant audit information and to establish that the IB's auditors are aware of that information.

Plans for the future

The IB has enjoyed rapid growth over recent years and expects strong growth to continue in the future, albeit at a slower rate over the next few years until the rate of growth in the global economy, particularly in the USA and Europe, accelerates. The IB is establishing an innovation office in 2011 primarily to steer the IB in its strategic priorities of promoting wider access to the IB's programmes and promoting initiatives to maintain IB's leadership in its field. Already launched in 2011, the IB career-related certificate will attract students wishing to pursue vocational rather than academic paths; the virtual community launched in 2010 is promoting collaboration and growth of the IB community. Also in 2010 the IB started to collaborate with an educational services provider to develop on-line courses for the diploma programme in order to provide schools with a greater choice of courses and to give access to students living in remote locations. These initiatives, together with others in the pipeline, will complement the underlying growth of the IB, as schools in all parts of the world look to the IB as a provider of choice in their pursuit of their goals.

Consolidated financial information

Summary consolidated income statement	For the year ended	
	31 Dec 10 US\$ millions	31 Dec 09 US\$ millions
Incoming resources		
School fees	112.5	98.3
Publications	3.1	2.7
Fundraising	3.0	2.1
Other	0.7	-
Total income	119.3	103.1
Expenses		
Operating expenses	101.2	89.6
Publications	2.3	2.1
Disbursements from funds	2.4	2.0
Management and administration expenses	9.8	8.9
Swiss pension actuarial (gain)/loss	0.7	(0.6)
Total operating resources expended	116.4	102.0
Operating surplus before provision	2.9	1.1
Restructure provision/asset write-down	(10.1)	-
Operating surplus/(loss) after provision	(7.2)	1.1
<i>Currency-related adjustments:</i>		
Financial instruments	(0.2)	(0.1)
Unrealized FX gain/(loss)	(0.7)	1.9
Total comprehensive income/(expenditure) for the year	(8.1)	2.9

Note:

Total resources expended are Total operating resources expended less Swiss pension movement, plus Restructure provision plus Currency-related adjustments

Consolidated financial information (continued)

Summary consolidated statement of financial position		As at	
	31 Dec 2010 US\$ millions	31 Dec 2009 US\$ millions	
Fixed assets			
Intangible assets	4.7	2.4	
Tangible assets	7.1	3.2	
	11.8	5.6	
Current assets			
Stock	0.6	0.4	
Debtors	34.6	20.3	
Other current financial assets	0.4	-	
Investments	2.0	5.8	
Cash at bank and in hand	59.6	60.3	
	97.2	86.8	
Creditors: Falling due within one year	14.5	13.8	
Other current financial liabilities	0.6	-	
Deferred income	75.8	63.7	
Provisions for liabilities and charges	3.3	2.0	
Net current assets	3.0	7.3	
Total assets less current liabilities	14.8	12.9	
Long term creditors			
Provisions for liabilities and charges	10.9	-	
Employee benefit liability	0.4	1.3	
Net assets	3.5	11.6	
Represented by:			
Restricted reserves	2.2	2.0	
<i>Unrestricted reserves</i>			
Designated	2.1	0.6	
Non-designated excluding provision	9.3	9.0	
<i>Restructure provision/asset write-down</i>	(10.1)	-	
Total accumulated funds	3.5	11.6	
Reserves ratios (months cover)			
Primary reserves ratio (net expendable assets basis)	7.7	7.8	
Supplementary reserves ratio (book reserves basis)	0.2	1.6	

Notes:

Restructure provision: Following its relocation from New York to Bethesda, and its commitment to a new global centre in The Hague, the IB has provided \$10.1m relating to future commitments on its New York and Cardiff properties, together with statutory redundancy, outplacement and legal costs relating to the relocation of roles from Cardiff.

Debtors and Cash: Debtors increased at year end as cash collections were delayed. Receivables and cash balances taken together are in line with expectations.

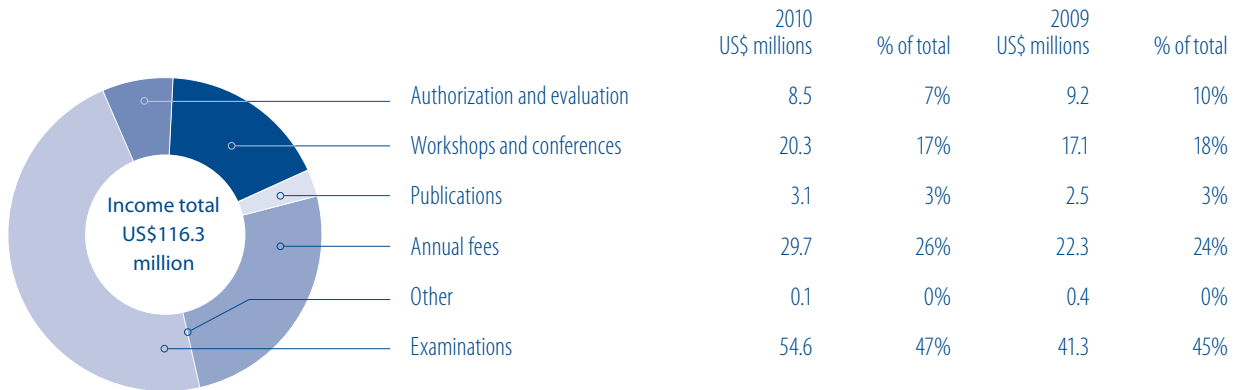
Consolidated financial information (continued)

Summary consolidated cash flow statement	For the year ended	
	31 Dec 2010 US\$ millions	31 Dec 2009 US\$ millions
Total comprehensive income for the year	(8.1)	2.9
Swiss pension actuarial (gain)/loss	0.7	(0.6)
Net surplus/(loss) from operations	(7.4)	2.3
<i>Adjustments for accounting entries not involving cash:</i>		
Depreciation	2.2	2.1
Deferred income	12.1	7.7
Accruals and prepayments	0.7	5.7
Provisions	10.0	-
Other	(2.3)	(2.3)
<i>Adjustments for balance sheet movements involving cash:</i>		
Purchase of fixed assets	(6.2)	(2.5)
Movement in accounts receivable	(14.3)	(2.3)
Movement in short-term investments	3.8	(2.1)
Other	1.2	(0.8)
Effect of exchange rate fluctuations on cash held	(0.5)	3.5
Increase/(decrease) in cash equivalent in the year	(0.7)	11.3

Income summary

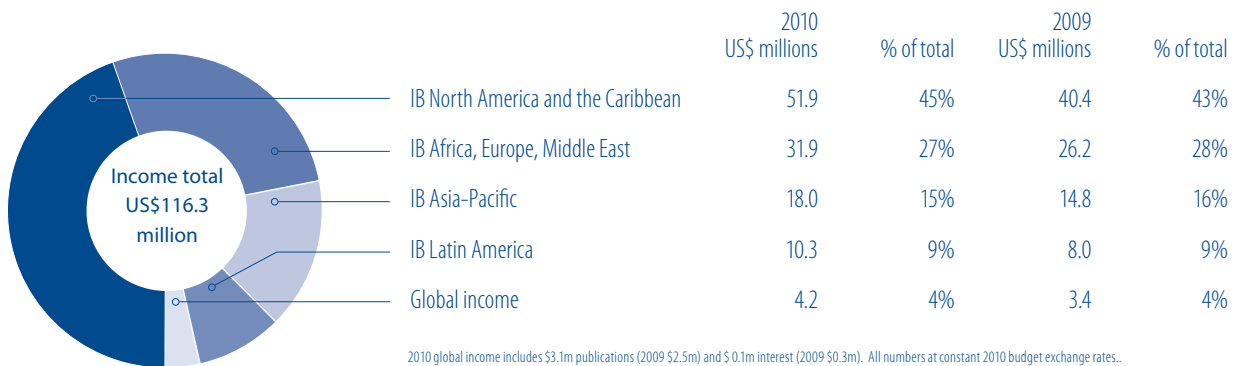
IB operations

By type:



2010 other income excludes IB Fund income \$3.0m (2009 \$1.8m). All numbers at constant 2010 budget exchange rates.

By geography:



2010 global income includes \$3.1m publications (2009 \$2.5m) and \$0.1m interest (2009 \$0.3m). All numbers at constant 2010 budget exchange rates..

IB Fund by donation:

	2010 US\$ millions	% of total
Widening access to IB programmes, a Bill and Melinda Gates-funded pilot project to provide professional development and curriculum resources for year 4	1.1	37%
Saudi Arabia Teacher Training Project	0.7	23%
Poland and Romania, a grant provided by the ArcelorMittal Foundation to develop a course based on IB essential elements and pilot it in non-IB schools	0.5	17%
Other	0.7	23%
TOTAL	3.0	100%

Operational expenditure summary

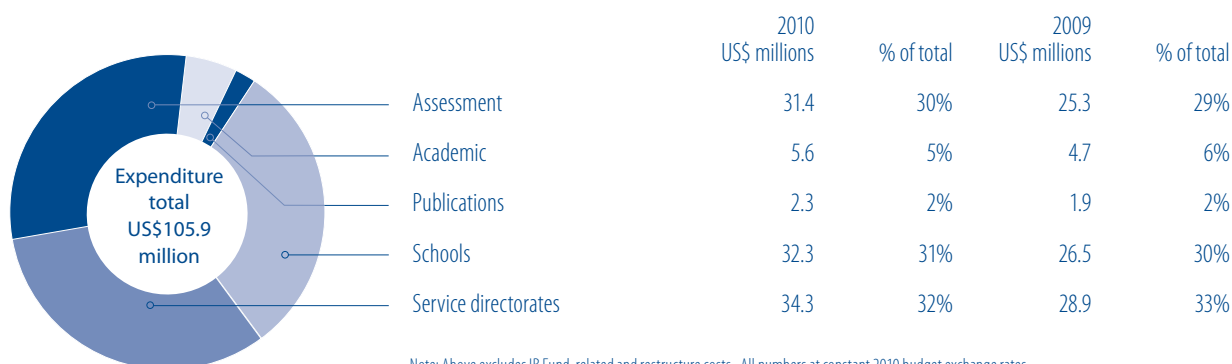
IB operations

By type:



Note: Above excludes IB Fund-related and restructure costs. All numbers at constant 2010 budget exchange rates.

By directorate:



Note: Above excludes IB Fund-related and restructure costs. All numbers at constant 2010 budget exchange rates.

IB Fund by donation:

	2010 US\$ millions	% of total
Widening access to IB programmes, a Bill and Melinda Gates-funded pilot project to provide professional development and curriculum resources for year 4	0.8	29%
Saudi Arabia Teacher Training Project	0.5	19%
Bosnia/Herzegovina Project, supporting students from different ethnic groups with scholarships with the aim of contributing to ethnic reconciliation in Bosnia	0.5	19%
Other	0.9	33%
TOTAL	2.7	100%

