Centre for International Studies and Cooperation

Consolidated Financial Statements
March 31, 2019

Independent Auditor's Report

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To the Board of Directors of
Centre for International Studies and Cooperation

Opinion

We have audited the consolidated financial statements of Centre for International Studies and Cooperation (hereafter "the Organization"), which comprise the consolidated statement of financial position as at March 31, 2019, and the consolidated statements of operations, changes in net assets and cash flows for the year then ended, and notes to consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 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. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Organization in accordance with the ethical requirements that are relevant to our audit of the consolidated 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 consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Organization'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 Organization or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards 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 consolidated financial statements.

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

– Identify and assess the risks of material misstatement of the consolidated 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 Organization’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 Organization’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 consolidated 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 Organization to cease to continue as a going concern;

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Raymond Chabot Grant Thornton LLP[1]

Montréal
June 18, 2019

[1] CPA auditor, CA public accountancy permit no. A117472

Centre for International Studies and Cooperation
Consolidated Operations
Year ended March 31, 2019

	2019	2018
	$	$
Revenues		
Contributions, except for in-kind donations and contributed volunteer services (Note 11)		
Global Affairs Canada – partnership	**6,581,265**	8,109,065
Global Affairs Canada – bilateral and others	**11,385,677**	10,104,511
Other funders	**15,025,122**	13,381,963
Donations	**1,182,356**	1,184,461
	34,174,420	32,780,000
Other		
Contributed volunteer services (Note 4)	**3,559,872**	5,109,865
Other revenues	**610,449**	471,895
	38,344,741	38,361,760
Expenses		
Programs	**30,415,404**	28,344,218
Contributed volunteer services (Note 4)	**3,559,872**	5,109,865
Program development	**670,220**	787,422
Administration	**2,836,652**	3,253,265
Fundraising	**414,437**	470,753
Interest on long-term debt	**74,157**	86,874
Amortization of tangible capital assets	**281,633**	260,741
Amortization of intangible assets	**67,932**	45,587
	38,320,307	38,358,725
Excess of revenues over expenses	**24,434**	3,035

The accompanying notes are an integral part of the consolidated financial statements and Note 3 provides other information on consolidated operations.

Centre for International Studies and Cooperation
Consolidated Changes in Net Assets
Year ended March 31, 2019

	2019				2018
	Invested in capital assets	**Received for endowment purposes (Note 5)**	**Unrestricted**	**Total**	Total
	$	**$**	**$**	**$**	$
Balance, beginning of year	**4,351,182**	**1,044,804**	**2,116,648**	**7,512,634**	7,492,781
Earnings for the year					
Excess (deficiency) of revenues over expenses	**(346,389)** **(1)**		**370,823**	**24,434**	3,035
Acquisition of tangible capital assets	**155,072**		**(155,072)**		
Acquisition of intangible assets	**105,699**		**(105,699)**		
Repayment of long-term debt	**213,877**		**(213,877)**		
Endowment contributions (Note 5)		**15,600**		**15,600**	10,000
Exchange gain (loss) relating to net assets received for endowment purposes		**(72,079)**		**(72,079)**	6,818
Balance, end of year	**4,479,441**	**988,325**	**2,012,823**	**7,480,589**	7,512,634

(1) This amount includes the amortization of tangible capital assets and intangible assets of $349,565, less the amortization of deferred contributions relating to tangible capital assets of $3,176.

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

Centre for International Studies and Cooperation
Consolidated Cash Flows
Year ended March 31, 2019

	2019	2018
	$	$
OPERATING ACTIVITIES		
Excess of revenues over expenses	**24,434**	3,035
Insurance proceeds		
Non-cash items		
Amortization of tangible capital assets	**281,633**	260,741
Amortization of intangible assets	**67,932**	45,587
Amortization of deferred contributions relating to tangible capital assets	**(3,176)**	(3,176)
Gain on disposal of tangible capital assets		(20,771)
Net change in working capital items (Note 6)	**(896,540)**	3,769,011
Cash flows from operating activities	**(525,717)**	4,054,427
INVESTING ACTIVITIES		
Acquisition of tangible capital assets	**(155,072)**	(627,217)
Disposal of tangible capital assets		20,771
Acquisition of intangible assets	**(105,699)**	(11,423)
Cash flows from investing activities	**(260,771)**	(617,869)
FINANCING ACTIVITIES		
Donations received for endowment purposes	**15,600**	10,000
Repayment of long-term debt	**(213,877)**	(216,599)
Cash flows from financing activities	**(198,277)**	(206,599)
Net increase (decrease) in cash	**(984,765)**	3,229,959
Cash, beginning of year	**11,727,539**	8,497,580
Cash, end of year	**10,742,774**	11,727,539

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

Centre for International Studies and Cooperation
Consolidated Financial Position

March 31, 2019

	2019	2018
	$	$
ASSETS		
Current		
Cash	**10,742,774**	11,727,539
Trade and other receivables (Note 7)	**4,149,030**	2,806,399
Advances to partners	**168,392**	242,338
Prepaid expenses	**642,866**	526,522
	15,703,062	15,302,798
Long-term		
Cash in trust (Note 5 (c))	**762,620**	834,699
Tangible capital assets (Note 8)	**6,096,586**	6,223,147
Intangible assets (Note 9)	**183,822**	146,055
	22,746,090	22,506,699
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**2,707,768**	2,436,722
Government remittances	**38,743**	39,095
Deferred contributions (Note 11)	**10,718,023**	10,500,228
Current portion of long-term debt	**1,685,555**	224,881
	15,150,089	13,200,926
Long-term		
Deferred contributions relating to tangible capital assets (Note 12)	**77,270**	80,446
Long-term debt (Note 13)	**38,142**	1,712,693
	15,265,501	14,994,065
NET ASSETS		
Invested in capital assets	**4,479,441**	4,351,182
Received for endowment purposes	**988,325**	1,044,804
Unrestricted	**2,012,823**	2,116,648
	7,480,589	7,512,634
	22,746,090	22,506,699

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

On behalf of the Board,

Director

Director

Centre for International Studies and Cooperation
Notes to Consolidated Financial Statements
March 31, 2019

1 - GOVERNING STATUTES AND PURPOSE OF THE ORGANIZATION

The Organization is incorporated under Part III of the Companies Act (Quebec). The Organization is a not-for-profit organization under the Income Tax Act, and as such, it is exempt from income taxes.

It participates in economic, social and cultural development activities in third-world countries through training, by sending volunteers and technical assistants, completing projects, researching and publishing specialized work.

2 - SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The Organization's consolidated financial statements are prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Accounting estimates

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the amounts recorded in the consolidated financial statements and notes to consolidated financial statements. These estimates are based on management's knowledge of current events and actions that the Organization may undertake in the future. Actual results may differ from these estimates.

Financial assets and liabilities

Initial measurement

Upon initial measurement, the Organization's financial assets and liabilities are measured at fair value, which, in the case of financial assets or financial liabilities that will be measured subsequently at amortized cost, is increased or decreased by the amount of the related financing fees and transaction costs.

Subsequent measurement

At each reporting date, the Organization measures its financial assets and liabilities at amortized cost (including any impairment in the case of financial assets).

With respect to financial assets measured at amortized cost, the Organization assesses whether there are any indications of impairment. When there is an indication of impairment, and if the Organization determines that, during the year, there was a significant adverse change in the expected timing or amount of future cash flows from a financial asset, it will then recognize a reduction as an impairment loss in the consolidated statement of operations. The reversal of a previously recognized impairment loss on a financial asset measured at amortized cost is recognized in the consolidated statement of operations in the year the reversal occurs.

Centre for International Studies and Cooperation
Notes to Consolidated Financial Statements
March 31, 2019

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of consolidation

The Organization has elected to present consolidated financial statements and to recognize the interest in joint arrangements using the proportionate consolidation method. However, these consolidated financial statements include the share of assets and liabilities, revenues and expenses of the joint arrangements in which it has an interest.

Revenue recognition

Contributions

The Organization follows the deferral method of accounting for contributions. Under this method, contributions restricted for future period expenses are deferred and are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Endowment contributions are reported as direct increases in net assets.

Moreover, the Organization recognizes contributed supplies and services when the fair value of these contributions can be reasonably estimated and if it would have had to otherwise acquire these supplies and services for its normal operations.

Net investment income

Investment transactions are recorded on the transaction date and resulting revenues are recognized using the accrual method of accounting.

Rental income

The Organization recognizes rental income on a straight-line basis over the lease term when collection is reasonably assured. The excess of rent recognized over amounts receivable under the leases is shown, as applicable, as rent receivable in the consolidated statement of financial position.

Cash and cash equivalents

The Organization's policy is to present in cash and cash equivalents bank balances, including bank overdrafts whose balances fluctuate frequently from being positive to overdrawn, and investments with a maximum maturity of three months from the acquisition date or redeemable at any time without penalty.

Recognition of foreign transactions

The Organization recognizes its expenses by using the following accounting practices:

(a) The purchase of tangible capital assets incurred for overseas operations is charged as operating expenses, except for the tangible capital assets of regional divisions which are capitalized;

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Most gains and losses due to exchange rate fluctuations are charged to programs in which they are realized.

Tangible capital assets and intangible assets subject to amortization

Tangible capital assets and intangible assets subject to amortization are recorded at cost. When the Organization receives contributions of tangible capital assets or intangible assets subject to amortization, their cost is equal to their fair value at the contribution date.

Amortization

Tangible capital assets and intangible assets subject to amortization are amortized over their estimated useful lives according to the straight-line method over the following periods:

	Periods
Buildings	40 years
Furniture and equipment	5 years
Computer equipment	4 years
Automotive equipment	5 years
Website and software	3 to 4 years

Write-down

When the Organization recognizes that a tangible capital asset or intangible asset subject to amortization no longer has any long-term service potential, the excess of the net carrying amount of the tangible capital asset or intangible asset subject to amortization over its residual value is recognized as an expense in the consolidated statement of operations.

Advances to partners

In connection with economic, social and cultural development activities, the Organization works in collaboration with partners on certain international projects. According to agreement protocols, amounts paid to partners are initially recognized as advances to partners. Upon receipt of the financial reports and corresponding supporting documents, project expenses are recognized in the consolidated statement of operations.

Centre for International Studies and Cooperation
Notes to Consolidated Financial Statements
March 31, 2019

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

The Organization considers its offices as integrated foreign operations and uses the temporal method to translate transactions denominated in a foreign currency. Under this method, monetary assets and liabilities are translated at the exchange rate in effect at the year-end date. Non-monetary assets and liabilities are translated at historical exchange rates, except those recognized at fair value, which are translated at the exchange rate in effect at the year-end date. Revenues and expenses are translated at the average rate for the period, with the exception of the amortization of assets translated at the historical exchange rates, which is translated at the same exchange rates as the related assets. The related exchange gains and losses are accounted for in consolidated operations for the year.

3 - INFORMATION INCLUDED IN CONSOLIDATED OPERATIONS

	2019	2018
	$	$
Other revenue		
Rental	**448,226**	403,480
Exchange losses (gains)		
Programs	**12,317**	(118,203)
Administration	**(2,501)**	(133,535)

4 - CONTRIBUTED VOLUNTEER SERVICES

Contributed volunteer services represent the value of the contribution provided by the participants of the volunteer cooperation programs.

The contribution is established using a predetermined rate in the agreement signed with Global Affairs Canada for the Uniterra program. The amount specified in the agreement is $200/day per person.

5 - NET ASSETS RECEIVED FOR ENDOWMENT PURPOSES

Net assets received for endowment purposes include the following items:

(a) An amount of $4,305 subject to externally imposed restrictions stipulating that the resources be maintained permanently in the Fonds Pelletier; the related investment income is restricted for the funding of projects concerning the education and training of girls and women.

(b) An amount of $221,400 ($205,800 in 2018) subject to externally imposed restrictions stipulating that the resources be maintained permanently in the Fonds Jean Bouchard; the related investment income is restricted for the funding of projects concerning basic human needs.

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Notes to Consolidated Financial Statements
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5 - NET ASSETS RECEIVED FOR ENDOWMENT PURPOSES (Continued)

(c) An amount of $762,620 ($834,699 in 2018) subject to externally imposed restrictions stipulating that the resources may be used to grant loans; loan beneficiaries are local, rural Guatemalan organizations and associations and the loans enable them to fund the purchase of farming equipment and products. On the recommendations of the trust's credit committee, the Organization could also support the funding of new initiatives. The assets relating to these amounts received for endowment purposes are presented in the consolidated statement of financial position in the Long-term assets section.

6 - INFORMATION INCLUDED IN CONSOLIDATED CASH FLOWS

The net change in working capital items is detailed as follows:

	2019	2018
	$	$
Trade and other receivables	**(1,342,631)**	1,736,177
Advances to partners	**73,946**	(92,874)
Prepaid expenses	**(116,344)**	49,903
Accounts payable and accrued liabilities	**271,046**	655,257
Government remittances	**(352)**	6,125
Deferred contributions	**217,795**	1,414,423
	(896,540)	3,769,011

7 - TRADE AND OTHER RECEIVABLES

	2019	2018
	$	$
Contributions receivable – donors (a)	**4,018,044**	2,605,919
Other receivables	**389,923**	450,597
Allowance for doubtful accounts relating to contributions receivable – donors	**(258,937)**	(250,117)
	4,149,030	2,806,399

(a) As at March 31, 2019, a donor represents 40.5% (49% as at March 31, 2018) of contributions receivable.

Centre for International Studies and Cooperation
Notes to Consolidated Financial Statements
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8 - TANGIBLE CAPITAL ASSETS

			2019	2018
	Cost	**Accumulated amortization**	**Net carrying amount**	Net carrying amount
	$	**$**	**$**	$
Land	**869,445**		**869,445**	869,445
Buildings	**6,135,170**	**1,220,697**	**4,914,473**	5,004,155
Furniture and equipment	**308,850**	**203,788**	**105,062**	140,258
Computer equipment	**402,402**	**348,728**	**53,674**	76,187
Automotive equipment	**809,776**	**655,844**	**153,932**	133,102
Leasehold improvements	**70,542**	**70,542**		
	8,596,185	**2,499,599**	**6,096,586**	6,223,147

9 - INTANGIBLE ASSETS

			2019	2018
	Cost	**Accumulated amortization**	**Net carrying amount**	Net carrying amount
	$	**$**	**$**	$
Website	**150,305**	**36,195**	**114,110**	37,181
Software	**253,893**	**184,181**	**69,712**	108,874
	404,198	**220,376**	**183,822**	146,055

10 - LINE OF CREDIT

The Organization has a line of credit, for an authorized amount of $1,000,000, bearing interest at the prime rate of Fédération des caisses Desjardins (3.95%; 3.45% as at March 31, 2018) and secured by a movable hypothec of $2,400,000 on the universality of receivables. The line of credit is not used as at March 31, 2019 nor as at March 31, 2018. The agreement is renewable in April 2020.

The Organization also has a special authorized line of credit of $3,400,000 for the issuance of letters of guarantee and letters of credit, which, as of March 31, 2019, have not been used.

11 - DEFERRED CONTRIBUTIONS

	2019	2018
	$	$
Balance, beginning of year	**10,500,228**	9,085,805
Amounts received during the year	**32,980,090**	35,341,362
Contributions receivable, beginning of year	**(2,605,919)**	(3,752,858)
	30,374,171	31,588,504
Amounts recognized as income for the year	**34,174,420**	32,780,000
Contributions receivable, end of year	**(4,018,044)**	(2,605,919)
	30,156,376	30,174,081
Balance, end of year	**10,718,023**	10,500,228

Centre for International Studies and Cooperation
Notes to Consolidated Financial Statements
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12 - DEFERRED CONTRIBUTIONS RELATING TO TANGIBLE CAPITAL ASSETS

Deferred contributions relating to tangible capital assets include contributions received to acquire tangible capital assets. They are amortized using the same methods and periods as for the corresponding tangible capital assets. Changes during the year are as follows:

	2019	2018
	$	$
Balance, beginning of year	**80,446**	83,622
Amortization for the year	**3,176**	3,176
Balance, end of year	**77,270**	80,446

13 - LONG-TERM DEBT

	2019	2018
	$	$
Loan, secured by an immovable hypothec on a building with a net carrying amount of $3,901,235, 3.6%, payable in monthly instalments of $6,438, including interest, maturing on December 2, 2019	**1,010,206**	1,050,317
Loan, of a maximum authorized amount of $1,121,250, secured by an immovable hypothec on a building with a net carrying amount of $3,901,235, 4.05%, payable in monthly instalments of $3,738, plus interest, maturing on January 15, 2020	**351,325**	396,175
Loan, secured by an immovable hypothec on a building with a net carrying amount of $1,013,238, 4.51%, payable in monthly instalments of $9,899, including interest, maturing on September 29, 2019	**306,760**	419,068
Loan, secured by an immovable hypothec on a building with a net carrying amount of $1,013,238, 3.9%, payable in monthly instalments of $1,593, including interest, maturing on November 24, 2020		
	1,668,291	1,865,560
Current portion	**1,685,552**	224,881
	(17,261)	1,640,679

The estimated capital reimbursements for the next years are as follows:

	$
2020	1,685,552
2021	38,145
	1,723,697

Centre for International Studies and Cooperation
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14 - PENSION PLANS

The Organization participates in defined contribution pension plans for its employees. It contributes equally with employees. However, the Organization's contribution is limited to 5% of employees' gross salaries. The contributions paid as well as the expenses for the year totalled $285,927 ($281,851 in 2018).

15 - FINANCIAL RISKS

Credit risk

The Organization is exposed to credit risk regarding the financial assets recognized in the consolidated statement of financial position. The Organization has determined that the financial assets with more credit risk exposure are trade and other receivables, advances to partners and loans and interest receivable since failure of any of these parties to fulfil their obligations could result in significant financial losses for the Organization.

Market risk

The Organization's financial instruments expose it to market risk, in particular, to currency risk and interest rate risk, resulting from its operating, investing and financing activities.

Currency risk

The Organization undertakes several of its transactions in foreign currency and is therefore exposed to foreign currency fluctuations.

As at March 31, 2019 and 2018, the Organization is exposed to currency risk due to cash, trade and other receivables, advances to partners, cash in trust, loans and interest receivable as well as accounts payable and accrued liabilities denominated in foreign currencies as follows:

	2019	2018
	$	$
Cash		
U.S. dollars	**1,765,004**	3,685,717
CFA francs	**2,308,374**	1,835,363
Haitian gourdes	**493,562**	165,557
Guinean francs	**1,454,395**	415,306
Other currencies	**835,244**	691,331
Trade and other receivables		
U.S. dollars	**875,324**	1,261,472
CFA francs	**211,873**	357,986
Haitian gourdes	**1,575,094**	1,564,862
Other currencies	**317,531**	266,908
Advances to partners		
U.S. dollars	**–**	1,433
CFA francs	**109,024**	240,909
Cash in trust and loans and interest receivable		
Other currencies	**762,620**	834,699

15 - FINANCIAL RISKS (Continued)

	2019	2018
	$	$
Accounts payable and accrued liabilities		
U.S. dollars	**65,278**	739,588
CFA francs	**463,185**	658,603
Haitian gourdes	**153,707**	463,074
Other currencies	**46,509**	146,767

Interest rate risk

The Organization is exposed to interest rate risk with respect to financial liabilities bearing fixed and variable interest rates.

The long-term debt bears interest at a fixed rate and the Organization is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

The lines of credit bear interest at a variable rate and the Organization is, therefore, exposed to the cash flow risk resulting from interest rate fluctuations.

Liquidity risk

The Organization's liquidity risk represents the risk that the Organization could encounter difficulty in meeting obligations associated with its financial liabilities. The Organization is, therefore, exposed to liquidity risk with respect to all of the financial liabilities recognized in the consolidated statement of financial position.

16 - COMMITMENTS

The Organization has entered into long-term lease agreements expiring in April 2024 which call for lease payments of $82,975 for the rental of office equipment. Minimum lease payments for the next five years are $18,070 in 2020 and $15,820 in 2021, 2022, 2023 and 2024.

17 - CONTINGENCIES

The Organization entered into partnership agreements with other organizations to realize projects. With respect to donors, under these agreements, the Organization is jointly and severally liable for the realization of these projects with these other organizations. As at March 31, 2019, the signed agreements total $274,367,075 ($224,735,049 as at March 31, 2018) and mature until May 2024 (until March 2021 in 2018). In the opinion of management, there is no significant risk because to complete the projects, all partnerships are subject to contracts between the organizations, in which the partners' respective financial liabilities are clearly specified.