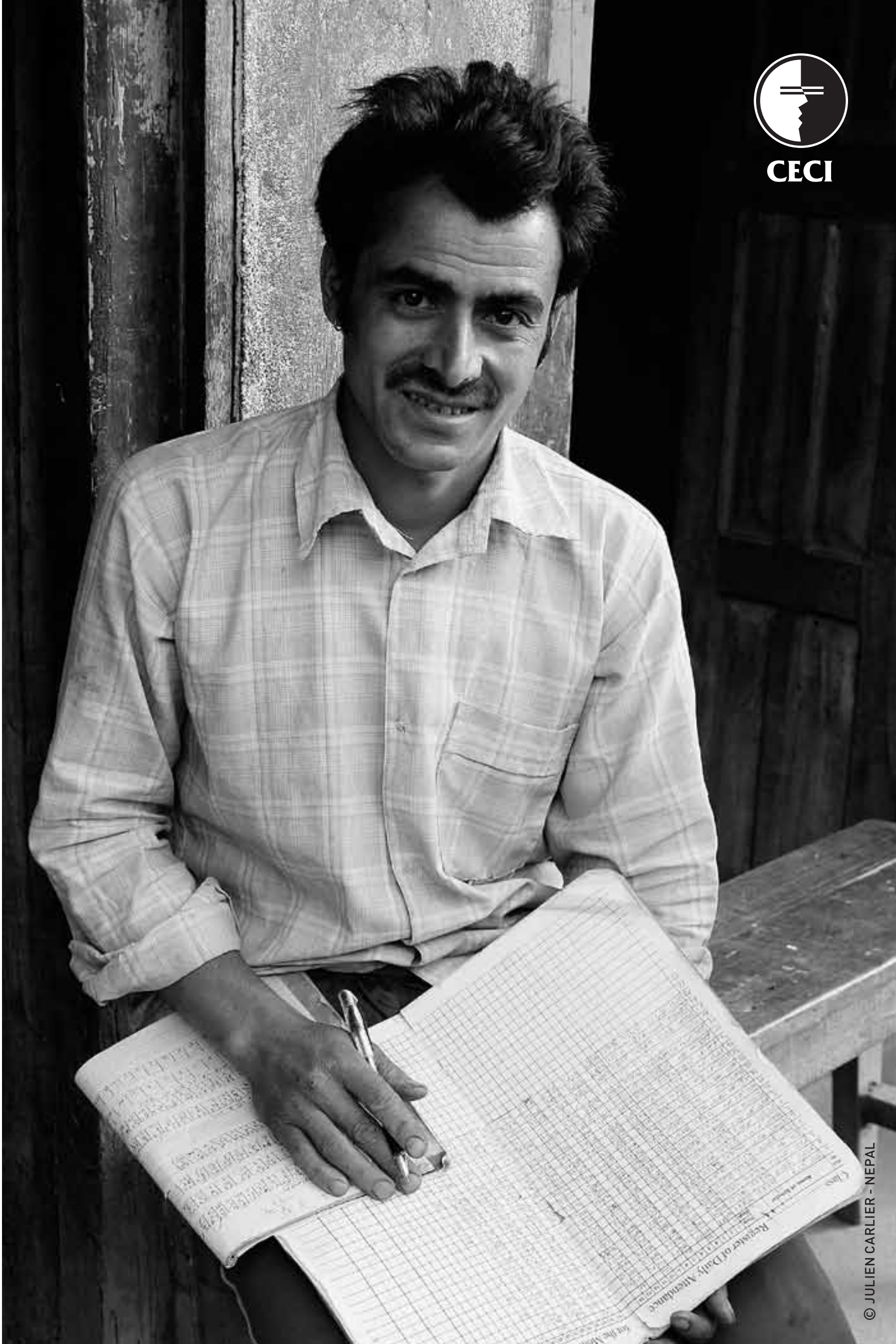
FINANCIAL STATEMENTS AND COMPLEMENTARY NOTES 2010-2011



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INDEPENDENT AUDITOR'S REPORT

To the Members of the Administration Board
Centre for International Studies and Cooperation

We have audited the financial statements of the Centre for International Studies and Cooperation (the "Centre"), which comprise the balance sheet as at March 31, 2011, and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's Responsibility
Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair / Deloitte & Touche s.e.n.c.r.l.

Samson Bélair / Deloitte & Touche S.E.N.C.R.L.[1]
June 22, 2011

1. Chartered accountant auditor permit Nº 13852

STATEMENT OF REVENUE AND EXPENSES year ended March 31, 2011

	2011	2010
	$	$ (restated)
Revenue		
CIDA - Partnership	**6,903,220**	6,495,487
CIDA - Bilateral and other	**15,888,492**	11,050,158
Other funding organizations	**16,558,356**	12,829,077
Donations	**4,073,712**	3,242,113
In-kind contributions	**963,571**	794,095
Contributed services (Note 11)	**4,096,392**	3,107,704
Other revenue	**430,855**	453,663
	48,914,598	37,972,297
Expenses		
Offices and departments	**7,414,362**	6,766,521
Programs	**36,660,200**	27,565,297
Contributed services (Note 11)	**4,096,392**	3,107,704
Interest on long-term debt	**138,646**	157,244
Amortization of capital assets	**301,505**	268,685
	48,611,105	37,865,451
Excess of revenue over expenses	**303,493**	106,846

STATEMENT OF CHANGES IN NET ASSETS year ended March 31, 2011

	Invested in capital assets	Endowments (Note 10)	Unrestricted	Total 2011	Total 2010
	$	$	$	$	$ (restated)
Balance, beginning of year, as previously reported	**1,463,967**	**588,370**	**1,161,190**	**3,213,527**	3,265,755
Changes in accounting policies (Note 2)	**(60,466)**	**-**	**-**	**(60,466)**	(62,729)
Restated balance, beginning of year	**1,403,501**	**588,370**	**1,161,190**	**3,153,061**	3,203,026
Excess (deficiency) of revenue over expenses	**(295,375)***	**-**	**598,868**	**303,493**	106,846
Acquisition of capital assets	**218,008**	**-**	**(218,008)**	**-**	-
Reimbursement of long-term debt	**162,811**	**-**	**(162,811)**	**-**	-
Gains (losses) from changes in exchange rates of net assets received as endowments	**-**	**23,856**	**-**	**23,856**	(156,811)
Balance, end of year	**1,488,945**	**612,226**	**1,379,239**	**3,480,410**	3,153,061

* Including amortization of capital assets of $301,505 less amortization of deferred contributions related to the capital assets of $6,130.

BALANCE SHEET as at March 31, 2011

	2011	2010
	$	$ (restated)
Assets		
Current assets		
Cash	**8,701,059**	9,116,664
Cash in trust (Note 10c)	**167,588**	266,398
Accounts receivable (net of deferred contributions of $330,876; $357,846 in 2010)	**686,414**	1,006,759
Advances to partners	**1,692,223**	1,949,105
Loan and interest receivable (Note 10c)	**436,253**	313,587
Prepaid expenses	**349,400**	346,751
	12,032,937	12,999,264
Capital assets - tangible and intangible (Note 5)	**3,792,968**	3,876,465
	15,825,905	16,875,729

	2011	2010
	$	$ (restated)
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**2,296,882**	2,933,540
Deferred contributions (net of accounts receivable of $887,568; $594,581 in 2010)	**7,744,590**	8,316,164
Current portion of long-term debt (Note 7)	**170,357**	162,149
	10,211,829	11,411,853
Deferred contributions related to capital assets (Note 9)	**98,839**	104,969
Long-term debt (Note 7)	**2,034,827**	2,205,846
Commitments and contingencies (Notes 13 and 14)		
Net assets		
Invested in capital assets	**1,488,945**	1,403,501
Restricted for endowment purposes (Note 10)	**612,226**	588,370
Unrestricted	**1,379,239**	1,161,190
	3,480,410	3,153,061
	15,825,905	16,875,729

STATEMENT OF CASH FLOWS year ended March 31, 2011

	2011	2010
	$	$ (restated)
Operating activities		
Excess of revenue over expenses	**303,493**	106,846
Adjustments for:		
Gain on disposal of capital assets	**-**	(17,613)
Amortization of capital assets	**301,505**	268,685
Amortization of deferred contributions	**(6,130)**	(6,130)
Foreign exchange loss on cash held in foreign currency	**106,145**	857,050
	705,013	1,208,838
Changes in non-cash operating working capital items (Note 12)	**(633,654)**	3,889,334
	71,359	5,098,172
Financing activities		
Reimbursement of long-term debt	**(162,811)**	(159,430)
Investing activities		
Disposal of capital assets	**-**	49,364
Acquisition of capital assets	**(218,008)**	(264,639)
Disposal of term deposit	**-**	94,853
	(218,008)	(120,422)
Foreign exchange loss on cash held in foreign currency	**(106,145)**	(857,050)
(Decrease) increase in cash	**(415,605)**	3,961,270
Cash, beginning of year	**9,116,664**	5,155,394
Cash, end of year	**8,701,059**	9,116,664

Transactions during the year in cash in trust account and loan and interest receivable cancel each other out in the statement of cash flows because the aggregate amount available in foreign currency is always the same. The change in the balance of the endowment is the change in the exchange rate of the amount available in Canadian currency.

Supplementary information

Interest paid	**141,114**	156,641

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NOTES TO THE FINANCIAL STATEMENTS March 31, 2011

1. DESCRIPTION OF THE ORGANIZATION

The Centre for International Studies and Cooperation is incorporated under Part III of the *Companies Act* (Quebec).

In developing countries, the Centre takes part in activities to promote economic, social and cultural development. It does so through training, by sending volunteers and technical assistants to these areas and by undertaking projects, conducting research and publishing specialized works.

In order to maintain its registered charity status, the Centre must meet certain annual spending requirements ("minimum spending requirement") according to the *Income Tax Act*. The minimum spending requirement is a minimum amount that the registered charity must spend on charitable programs or as gifts to qualified donees. Failure to comply with these requirements could lead to a revocation of the Centre's registered charity status. As at March 31, 2011, the Centre complies with the requirements.

2. CHANGE IN ACCOUNTING POLICIES

Change in amortization method of furniture and equipment and automotive equipment

During the year, the Centre decided to use the straight-line method instead of the declining balance method to depreciate furniture and equipment and automotive equipment. This change in method was adopted because straight-line depreciation more closely reflects the actual depreciation rate. The straight-line depreciation method was applied retroactively to furniture and equipment and automotive equipment from previous years. The impact of this change on the 2011 financial statements was a $4,936 decrease in excess of revenue over expenses and a $60,466 decrease in the opening balance of net assets. The 2010 exercise results presented for comparative purposes were retroactively adjusted to reflect the impact of the change, resulting in a $2,263 increase in excess of revenue over expenses and a $62,729 decrease in the opening balance of net assets.

Future accounting changes

New accounting framework

The CICA has approved a new accounting framework applicable to not-for-profit organizations. Effective for fiscal years beginning on January 1, 2012, not-for-profit organizations will have to choose between International Financial Reporting Standards ("IFRS") and the new accounting standards for not-for-profit organizations, whichever is best for their situation. Early adoption of these standards is permitted. The Centre currently plans to adopt the new accounting standards for not-for-profit organizations; however, the date of transition to the new standards and the impact of this transition have not yet been determined.

3. SIGNIFICANT ACCOUNTING POLICIES

The Centre elected to use the exemption granted by the CICA to permit not-for-profit organizations not to apply Section 3862 of the Canadian Institute of Chartered Accountants ("CICA") Handbook requiring entities to provide disclosures about the significance of financial instruments for the entity, their nature, the extent of their risks and how the entity manages those risks, as well as Section 3863 of the *CICA Handbook*, which contains the same requirements on the disclosure of financial instruments as Section 3861. These sections were otherwise applied to the Centre's financial statements for the year ended March 31, 2011. The Centre continues to meet the requirements of Section 3861 of the CICA Handbook.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and reflect the following significant accounting policies:

Revenue recognition

The Centre follows the deferral method of accounting for contributions. 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 recognized as direct increases in net assets.

Contributions in kind and in the form of services rendered are recorded at their estimated fair value and are reflected in the statement of earnings and expenses, because they are distributed for humanitarian purposes to the beneficiaries who are the end users or are part of the programs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign transaction recognition

The Centre accounts for expenses using the following accounting practices:

i) Capital expenditures incurred for overseas activities are charged as operating expenses, with the exception of the capital expenditures of regional offices, which are capitalized.

ii) Most of the gains and losses resulting from exchange rate fluctuations are charged to the programs in which they are realized.

Financial instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Centre's designation of such instruments. Settlement date accounting is used.

Classification

Cash and cash in trust	Held for trading
Accounts receivable, advances to partners and loans and interest receivable	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Long-term debt	Other liabilities

Held for trading

Held-for-trading financial assets are financial assets typically acquired for resale prior to maturity or that are designated as held for trading. They are measured at fair value at the balance sheet date. Fair value fluctuations including interest earned, interest accrued, gains and losses realized on disposal and unrealized gains and losses are included in other revenue.

Loans and receivables

Loans and receivables are accounted for at amortized cost using the effective interest method.

Other liabilities

Other liabilities are recorded at amortized cost using the effective interest method and include all financial liabilities.

Transaction costs

Transaction costs related to held-for-trading financial assets are expensed as incurred. Transaction costs related to other liabilities and loans and receivables are added to the carrying value of the asset or netted against the carrying value of the liability and are then recognized over the expected life of the instrument using the effective interest method.

Effective interest method

The Centre uses the effective interest method to recognize interest income or expense which includes transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital assets - tangible and intangible

Capital assets are accounted and amortized according to their estimated useful lives with the straight-line amortization method for the following periods and rates:

Buildings	4%
Furniture and equipment	20%
Computer equipment	25%
Automotive equipment	20%
Leasehold improvements	Lease term
Web site	25%
Software	25%

Foreign currency translation

Monetary assets and liabilities are translated into Canadian dollars at the exchange rates in effect at year end, whereas non-monetary assets and liabilities are translated at historical rates. The market values are translated into Canadian dollars at the exchange rates in effect at year-end. Revenue and expenses are translated at average rates prevailing during the year. Resulting gains and losses are reflected in the statement of revenue and expenses.

Investment in joint ventures

The Centre has elected to record its investments in joint ventures using the equity method.

Use of estimates

The preparation of financial statements in conformity with Canadian GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

4. INTEREST IN JOINT VENTURES

The Centre participated in international assistance projects by forming joint ventures. These consortium projects generated revenue of $22,738,295 ($18,938,641 in 2010) and expenses of $20,724,506 ($17,068,734 in 2010). The percentage of the Centre's interest in management revenue typically ranges from 30% to 70%.

As at March 31, 2011, the Centre's financial statements included the following amounts attributable to joint ventures:

	2011	2010
	$	$
Assets	**3,900,636**	3,264,169
Accounts payable and accrued liabilities	**813,131**	1,857,819
Deferred contributions	**3,065,630**	1,295,525

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5. CAPITAL ASSETS - TANGIBLE AND INTANGIBLE

	2011			2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Tangible assets				
Land	**869,445**	**-**	**869,445**	869,445
Buildings	**3,535,112**	**944,008**	**2,591,104**	2,698,886
Furniture and equipment	**1,080,730**	**1,019,569**	**61,161**	34,519
Computer equipment	**699,561**	**612,516**	**87,045**	96,198
Automotive equipment	**513,918**	**383,579**	**130,339**	80,131
Leasehold improvements	**76,094**	**55,692**	**20,402**	46,276
	6,774,860	**3,015,364**	**3,759,496**	3,825,455
Intangible assets				
Web site	**42,490**	**10,622**	**31,868**	42,490
Software	**165,230**	**163,626**	**1,604**	8,520
	6,982,580	**3,189,612**	**3,792,968**	3,876,465

The fair value of the two buildings, determined using the income approach, as at January 7, 2005, is approximately $6,000,000. Using the comparable transaction analysis at the same date, the fair value is essentially the same.

6. BANK LOAN

The Centre has an operating line of credit of an authorized amount of $1,000,000, bearing interest at the prime rate, secured by a movable hypothec on the universality of accounts receivable and is repayable on demand. The balance as at March 31, 2011 is nil.

7. LONG-TERM DEBT

	2011	2010
	$	$
Loan secured by a first-rank hypothec on a building, for a maximum authorized amount of $1,121,250, payable in monthly instalments of $3,738 plus interest calculated at 6.65%, renewable on January 15, 2012, maturing on January 15, 2017	**710,125**	754,975
Loan secured by a second-rank hypothec on a building, payable in monthly instalments of $3,807, interest calculated at 4.83%, renewable on February 15, 2013, maturing on February 15, 2017	**234,584**	268,053
Loan secured by a first-rank hypothec on a building, payable in monthly instalments of $12,248, interest calculated at 6.5%, renewable on September 29, 2019, maturing on December 29, 2021	**1,090,808**	1,164,291
Loan secured by a first-rank hypothec on a building, payable in monthly instalments of $1,655, interest calculated at 4.77%, renewable on August 24, 2015, maturing on March 24, 2022	**169,667**	180,676
	2,205,184	2,367,995
Current portion	**170,357**	162,149
	2,034,827	2,205,846

Estimated principal payments required in each of the next five years are as follows:

	$
2012	**170,357**
2013	**177,910**
2014	**185,943**
2015	**194,470**
2016	**203,541**

8. PENSION PLAN

The Centre contributes to a defined contribution pension plans by matching employee contributions. Contributions paid and expensed for the year totalled $244,336 ($251,431 in 2010). This amount is reported in the statement of revenue and expenses.

9. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent contributions received to acquire capital assets. They are amortized using the same methods and rates as the related capital assets. Changes for the year are as follows:

	2011	2010
	$	$
Balance, beginning of year	**104,969**	111,099
Amortization for the year	**6,130**	6,130
Balance, end of year	**98,839**	104,969

10. NET ASSETS RESTRICTED FOR ENDOWMENT PURPOSES

Net assets restricted for endowment purposes are as follows:

a) An amount of $4,305 is subject to external restrictions requiring that any resources be maintained permanently in the Fonds Pelletier. The related investment income is used to finance projects aimed at education and training for women and girls.

b) An amount of $4,080 is subject to external restrictions requiring that any resources be maintained permanently in the Fonds Jean Bouchard. The related investment income is used to finance projects aimed at basic human needs.

10. NET ASSETS RESTRICTED FOR ENDOWMENT PURPOSES (continued)

c) An amount of $603,841 is subject to external restrictions under which resources can be used to make loans. Loan recipients are local rural Guatemalan organizations and associations. Loans enable them to finance the purchase of equipment and agricultural products. As per the recommendations of the Credit Committee of the trust, the Centre could also support financing of new initiatives.

11. CONTRIBUTED SERVICES

Contributed services represent the value of services rendered by participants to volunteer co-operation programs.

The contribution for services is calculated at a predetermined rate according to the agreement signed with CIDA for Uniterra. The amount specified in the agreement amounts to $200/day/person.

The contributions in the form of services rendered by the Board of Directors have not been reflected in this data.

12. CHANGES IN NON-CASH OPERATING WORKING CAPITAL ITEMS

	2011	2010
	$	$
Accounts receivable	**320,345**	(394,354)
Advances to partners	**256,882**	(471,490)
Prepaid expenses	**(2,649)**	(121,037)
Accounts payable and accrued liabilities	**(636,658)**	821,774
Amount due - Pension plan	**-**	(220,979)
Deferred contributions	**(571,574)**	4,275,420
	(633,654)	3,889,334

13. COMMITMENTS

The Centre is committed under renewable, non-cancellable leases for equipment that expire through November 2015. The total amount payable of $108,737 is detailed as follows:

	2012	**2013**	**2014**	**2015**	**2016**
$	**28,849**	**27,874**	**27,874**	**21,544**	**2,596**

14. CONTINGENCIES

The Centre has signed partnership agreements with other organizations for the purpose of carrying out projects. Under these agreements, the Centre is jointly and severally liable with the other organizations to its funding organizations. As at March 31, 2011, the signed agreements totaled approximately $189,000,000 and expire through October 2016. Management is nonetheless of the opinion that there is no significant risk, as all partnerships for projects are subject to a contract between the organizations, and these contracts clearly specify the respective financial liabilities of the partners.

15. FINANCIAL INSTRUMENTS

Currency risk

The Centre carries out transactions in foreign currencies and is, therefore, exposed to foreign exchange fluctuations. The Centre does not fully manage this risk. Most of the exchange gains and losses are included in program costs.

The balance sheet includes the following amounts expressed in Canadian dollars with respect to financial assets and liabilities for which cash flows are denominated in the following currencies:

	2011	2010
	$	$
American Dollar		
Cash	**2,429,027**	1,918,908
Accounts receivable	**374,827**	375,270
Advances to partners	**45,231**	53,456
Accounts payable and accrued liabilities	**321,690**	134,857
Deferred contributions	**1,729,866**	1,441,239
CFA Franc		
Cash	**278,416**	374,239
Accounts receivable	**59,292**	-
Advances to partners	**38,124**	203,684
Accounts payable and accrued liabilities	**171,286**	208,775
Deferred contributions	**48,453**	359,684
Haitian Gourde		
Cash	**546,975**	511,013
Accounts receivable	**104,552**	247,763
Advances to partners	**1,470,582**	1,449,695
Accounts payable and accrued liabilities	**144,231**	478,431
Deferred contributions	**3,631**	3,643
Other currencies		
Cash	**774,764**	341,961
Cash in trust	**167,588**	266,398
Accounts receivable	**-**	22,232
Advances to partners	**133,038**	237,023
Loan and interest receivable	**436,253**	313,587
Accounts payable and accrued liabilities	**74,130**	10,298
Deferred contributions	**69,007**	64,262

Interest rate risk

The long-term debt bears interest fixed rates. Consequently, the cash flow exposure is not significant.

Credit risk

The Centre makes advances to partners in the normal course of its operations. It conducts regular assessments of credit towards its partners and maintains provisions for potential losses on loans, if necessary.

Fair value

The fair value of accounts receivable, advances to partners and accounts payable and accrued liabilities is approximately equal to their carrying values due to their short-term maturities.

The fair value of long-term debt is determined using the present value of future cash flows under current financing agreements, based on the Centre's current estimated borrowing rate for loans with similar terms and conditions. The fair value of long-term debt is approximately $2,204,486.

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CENTRE FOR INTERNATIONAL STUDIES AND COOPERATION

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