Financial statements of

CENTRE FOR INTERNATIONAL STUDIES AND COOPERATION

March 31, 2012

CENTRE FOR INTERNATIONAL STUDIES AND COOPERATION

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Deloitte.

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Independent auditor's report

To the Members of the Administration Board of the
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, 2012, 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, 2012, 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.[1]

June 20, 2012

[1][1] CPA auditor, CA, public accountancy permit No. A110078

CENTRE FOR INTERNATIONAL STUDIES AND COOPERATION

Statement of revenue and expenses

year ended March 31, 2012

	2012	2011
	$	$
Revenue		
CIDA – Partnership	**7,688,048**	6,903,220
CIDA – Bilateral and other	**14,895,685**	15,888,492
Other funding organizations	**16,467,735**	16,558,356
Donations	**1,285,051**	4,073,712
In-kind contributions	**29,804**	963,571
Contributed services (Note 10)	**3,362,786**	4,096,392
Other revenue	**511,986**	430,855
	44,241,095	48,914,598
Expenses		
Offices and departments	**7,776,389**	7,414,362
Programs	**32,734,579**	36,660,200
Contributed services (Note 10)	**3,362,786**	4,096,392
Interest on long-term debt	**128,525**	138,646
Amortization of capital assets	**230,682**	301,505
	44,232,961	48,611,105
Excess of revenue over expenses	**8,134**	303,493

CENTRE FOR INTERNATIONAL STUDIES AND COOPERATION

Statement of changes in net assets

year ended March 31, 2012

	Invested in capital assets	Endowments (Note 9)	Unrestricted	Total 2012	Total 2011
	$	$	$	$	$
Balance, beginning of year	**1,488,945**	**612,226**	**1,379,239**	**3,480,410**	3 153 061
Excess (deficiency) of revenue over expenses	**(224,552)***	**-**	**232,686**	**8,134**	303,493
Acquisition of capital assets	**391,286**	**-**	**(391,286)**	**-**	-
Reimbursement of long-term debt	**170,174**	**-**	**(170,174)**	**-**	-
(Losses) gains from changes in exchange rates of net assets received as endowments	**-**	**(10,897)**	**-**	**(10,897)**	23,856
Balance, end of year	**1,825,853**	**601,329**	**1,050,465**	**3,477,647**	3,480,410

* Including amortization of capital assets of $230,682 less amortization of deferred contributions related to the capital assets of $6,130.

CENTRE FOR INTERNATIONAL STUDIES AND COOPERATION
Balance sheet
as at March 31, 2012

	2012	2011
	$	$
Assets		
Current assets		
Cash	**6,948,388**	8,701,059
Cash in trust (Note 9c))	**460,884**	167,588
Term deposit in trust (Note 9c))	**132,060**	-
Accounts receivable (net of deferred contributions of $68,053; $330,876 in 2011)	**1,162,221**	686,414
Advances to partners	**1,488,081**	1,692,223
Loan and interest receivable (Note 9c))	**-**	436,253
Prepaid expenses	**368,225**	349,400
	10,559,859	12,032,937
Capital assets - tangible and intangible (Note 4)	**3,953,572**	3,792,968
	14,513,431	15,825,905
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**2,609,861**	2,296,882
Deferred contributions (net of accounts receivable of $1,997,197; $887,568 in 2011)	**6,298,204**	7,744,590
Current portion of long-term debt (Note 6)	**177,900**	170,357
	9,085,965	10,211,829
Deferred contributions related to capital assets (Note 8)	**92,709**	98,839
Long-term debt (Note 6)	**1,857,110**	2,034,827
Commitments and contingencies (Notes 12 and 13)		
Net assets		
Invested in capital assets	**1,825,853**	1,488,945
Restricted for endowment purposes (Note 9)	**601,329**	612,226
Unrestricted	**1,050,465**	1,379,239
	3,477,647	3,480,410
	14,513,431	15,825,905

Approved by the Board

....Director

....Director

CENTRE FOR INTERNATIONAL STUDIES AND COOPERATION

Statement of cash flows

year ended March 31, 2012

	2012	2011
	$	$
Operating activities		
Excess of revenue over expenses	**8,134**	303,493
Adjustments for:		
Amortization of capital assets	**230,682**	301,505
Amortization of deferred contributions related to capital assets	**(6,130)**	(6,130)
Foreign exchange (gain) loss on cash held in foreign currency	**(39,428)**	106,145
	193,258	705,013
Changes in non-cash operating working capital items (Note 11)	**(1,423,897)**	(633,654)
	(1,230,639)	71,359
Financing activities		
Reimbursement of long-term debt	**(170,174)**	(162,811)
Investing activities		
Acquisition of capital assets	**(391,286)**	(218,008)
Foreign exchange gain (loss) on cash held in foreign currency	**39,428**	(106,145)
Decrease in cash	**(1,752,671)**	(415,605)
Cash, beginning of year	**8,701,059**	9,116,664
Cash, end of year	**6,948,388**	8,701,059

Transactions during the year in cash in trust account, term deposit 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	**126,343**	141,114

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, 2012, the Centre complies with the requirements.

2. 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, 2012. 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.

2. 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, cash in trust and term deposit 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.

2. Significant accounting policies (continued)

Financial instruments (continued)

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 expenses which include transaction costs or fees, premiums or discounts earned or incurred for financial instruments.

Capital assets - tangible and intangible

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

Buildings	2.5% (4% in 2011)
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.

2. Significant accounting policies (continued)

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.

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. The Centre will adopt the new accounting standards for not-for-profit organizations for the fiscal year beginning on April 1, 2012. The impact of this transition has not yet been determined.

3. Interest in joint ventures

The Centre participated in international assistance projects by forming joint ventures. These consortium projects generated revenue of $18,333,459 ($22,738,295 in 2011) and expenses of $16,770,618 ($20,724,506 in 2011). The percentage of the Centre’s interest in management revenue typically ranges from 30% to 60%.

As at March 31, 2012, the Centre’s financial statements included the following amounts attributable to joint ventures:

	2012	2011
	$	$
Assets	**3,078,161**	3,900,636
Accounts payable and accrued liabilities	**1,760,566**	813,131
Deferred contributions	**1,317,595**	3,065,630

4. Capital assets

	2012			2011
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Tangible assets				
Land	**869,445**	**-**	**869,445**	869,445
Buildings	**3,576,588**	**1,024,832**	**2,551,756**	2,591,104
Furniture and equipment	**1,115,851**	**1,039,956**	**75,895**	61,161
Computer equipment	**747,697**	**653,843**	**93,854**	87,045
Automotive equipment	**626,142**	**438,612**	**187,530**	130,339
Leasehold improvements	**76,094**	**76,094**	**-**	20,402
	7,011,817	**3,233,337**	**3,778,480**	3,759,496
Intangible assets				
Web site	**42,490**	**21,245**	**21,245**	31,868
Software	**319,559**	**165,712**	**153,847**	1,604
	7,373,866	**3,420,294**	**3,953,572**	3,792,968

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.

The management has modified the estimated useful life on buildings from 25 years to 40 years. This new estimate reflects the latest available reliable information and is based on further experience. Following this modification on the useful life for buildings, the amortization is $80,823 instead of $142,709 for the year ended March 31, 2012.

5. 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, 2012 is nil.

6. Long-term debt

	2012	2011
	$	$
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 4.70%, maturing on January 15, 2017	**665,275**	710,125
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	**199,489**	234,584
Loan secured by a first-rank hypothec on a building, payable in monthly instalments of $12,248, interest calculated at 6.50%, renewable on September 29, 2019, maturing on December 29, 2021	**1,012,589**	1,090,808
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	**157,657**	169,667
	2,035,010	2,205,184
Current portion	**177,900**	170,357
	1,857,110	2,034,827

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

	$
2013	**177,900**
2014	**185,933**
2015	**194,461**
2016	**203,530**
2017	**650,345**

The payment in 2017 includes a final balance amounting to $448,500 due on January 15, 2017. According to management, this balance will be refinanced.

7. Pension plan

The Centre contributes to a defined contribution pension plan by matching employee contributions. The contribution limit from the Centre is 5% of gross salaries. Contributions paid and expensed for the year totalled $258,155 ($244,336 in 2011). This amount is reported in the statement of revenue and expenses.

8. 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:

	2012	2011
	$	$
Balance, beginning of year	**98,839**	104,969
Amortization for the year	**6,130**	6,130
Balance, end of year	**92,709**	98,839

9. 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.

c) An amount of $592,944 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.

10. 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.

11. Changes in non-cash operating working capital items

	2012	2011
	$	$
Accounts receivable	**(475,807)**	320,345
Advances to partners	**204,142**	256,882
Prepaid expenses	**(18,825)**	(2,649)
Accounts payable and accrued liabilities	**312,979**	(636,658)
Deferred contributions	**(1,446,386)**	(571,574)
	(1,423,897)	(633,654)

12. Commitments

The Centre is committed under renewable, non-cancellable leases for equipment that expire through November 2015. The total amount payable of $79,889 is detailed as follows:

	$
2013	**27,874**
2014	**27,874**
2015	**21,544**
2016	**2,597**

13. 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, 2012, the signed agreements totalled approximately $168,000,000 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.

14. 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:

	2012	2011
	$	$
American Dollar:		
Cash	**3,173,521**	2,429,027
Accounts receivable	**355,317**	374,827
Advances to partners	**56,205**	45,231
Accounts payable and accrued liabilities	**233,385**	321,690
Deferred contributions	**1,673,775**	1,729,866
CFA Franc:		
Cash	**386,698**	278,416
Accounts receivable	**35,338**	59,292
Advances to partners	**2,971**	38,124
Accounts payable and accrued liabilities	**179,989**	171,286
Deferred contributions	**222,946**	48,453
Haitian Gourde:		
Cash	**1,055,921**	546,975
Accounts receivable	**385,335**	104,552
Advances to partners	**1,376,887**	1,470,582
Accounts payable and accrued liabilities	**165,197**	144,231
Deferred contribution	**47,866**	3,631
Other currencies:		
Cash	**282,308**	774,764
Cash in trust	**460,884**	167,588
Term deposit in trust	**132,060**	-
Accounts receivable	**78,653**	-
Advances to partners	**48,268**	133,038
Loan and interest receivable	**-**	436,253
Accounts payable and accrued liabilities	**41,871**	74,130
Deferred contributions	**22,733**	69,007

14. Financial instruments (continued)

Interest rate risk

The long-term debt bears interest at 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 term deposit in trust, 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 $2,034,997.