

MALLETTE

Partnership of
chartered professional accountants

**Société de coopération
pour le développement
international (SOCODEVI)**

Financial Statements
As at March 31, 2018

Together with Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the members of
Société de coopération pour le développement international (SOCODEVI),

We have audited the accompanying financial statements of **SOCIÉTÉ DE COOPÉRATION POUR LE DÉVELOPPEMENT INTERNATIONAL (SOCODEVI)**, which comprise the balance sheet as at March 31, 2018 and the statements of income, 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 accounting standards for not-for-profit organizations, 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 Company'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 Company'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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Société de coopération pour le développement international (SOCODEVI) as at March 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

*Mallette L.L.P.*¹

Mallette L.L.P.
 Partnership of chartered professional accountants

Lévis, Québec
 June 15, 2018

¹ CPA auditor, CA, public accountancy permit No. A119066

Société de coopération pour le développement international (SOCODEVI)

STATEMENT OF INCOME

For the year ended March 31,

2018

2017

REVENUES

International program	\$ 23,700,771	\$ 26,323,567
Contributed services rendered by member institutions	365,945	638,165
Contributions from member institutions	53,279	55,160
Interest and other revenues	123,184	75,793
	24,243,179	27,092,685

EXPENSES

International program	21,813,598	23,679,816
Contributed services rendered by member institutions	365,946	638,167
Institutional expenses	1,896,447	1,837,496
Amortization of fixed assets	87,032	52,587
Amortization of intangible assets	5,571	2,060
	24,168,594	26,210,126

EXCESS OF REVENUES OVER EXPENSES

\$ 74,585 \$ 882,559

Société de coopération pour le développement international (SOCODEVI)

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31,

2018

2017

	Unappro- priated	Invested in fixed assets and intangible assets (Notes 5 and 6)	Appropriated to Contingency Fund (Note 10)	Appropriated to Special Projects Fund (Note 10)	Total	Total
BALANCE , beginning of year	\$ 3,280,672	\$ 353,590	\$ 1,193,639	\$ 868,308	\$ 5,696,209	4,813,650
Excess (deficiency) of revenues over expenses	114,433	(92,603)	30,361	22,394	74,585	882,559
Appropriations	(408,176)	8,176	200,000	200,000	-	-
BALANCE , end of year	\$ 2,986,929	\$ 269,163	\$ 1,424,000	\$ 1,090,702	\$ 5,770,794	5,696,209

Société de coopération pour le développement international (SOCODEVI)

BALANCE SHEET

As at March 31,

2018

2017

ASSETS

CURRENT ASSETS

Cash	\$ 1,864,206	\$ 2,710,730
Term savings, 1.05% to 1.2%	11,102,335	10,343,273
Accounts receivable (Note 3)	2,532,185	2,682,116
Prepaid expenses	1,077,049	1,137,457

16,575,775 16,873,576

INVESTMENTS ACCOUNTED FOR AT COST (Note 4)

2,592,063 2,139,308

FIXED ASSETS (Note 5)

261,736 340,592

INTANGIBLE ASSETS (Note 6)

7,427 12,998

\$ 19,437,001 \$ 19,366,474

LIABILITIES

CURRENT LIABILITIES

Accounts payable (Note 8)	\$ 1,349,207	\$ 1,502,221
Deferred revenue (Note 9)	12,317,000	12,168,044

13,666,207 13,670,265

NET ASSETS

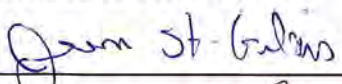
Unappropriated	2,986,929	3,280,672
Invested in fixed assets and intangible assets (Notes 5 and 6)	269,163	353,590
Appropriated to Contingency Fund (Note 10)	1,424,000	1,193,639
Appropriated to Special Projects Fund (Note 10)	1,090,702	868,308

5,770,794 5,696,209

\$ 19,437,001 \$ 19,366,474

COMMITMENTS (Note 11)

On behalf of the Board,


_____, Director


_____, Director

Société de coopération pour le développement international (SOCODEVI)

STATEMENT OF CASH FLOWS

For the year ended March 31,

2018

2017

OPERATING ACTIVITIES

Excess of revenues over expenses	\$ 74,585	\$ 882,559
Items not affecting cash		
Amortization of fixed assets	87,032	52,587
Amortization of intangible assets	5,571	2,060
Loss on write-off of fixed assets	-	3,990
Interest income from the Contingency Fund	(52,755)	(42,704)
	<u>114,433</u>	<u>898,492</u>
Net change in non-cash working capital items	<u>206,281</u>	<u>(2,002,728)</u>
	<u>320,714</u>	<u>(1,104,236)</u>

INVESTING ACTIVITIES

Proceeds from the disposal of investments	-	1,288,255
Acquisition of investments	(400,000)	(2,000,000)
Acquisition of fixed assets	(8,176)	(317,657)
	<u>(408,176)</u>	<u>(1,029,402)</u>

DECREASE IN CASH AND CASH EQUIVALENTS

	(87,462)	(2,133,638)
CASH AND CASH EQUIVALENTS, beginning of year	<u>13,054,003</u>	<u>15,187,641</u>
CASH AND CASH EQUIVALENTS, end of year	\$ 12,966,541	\$ 13,054,003

Cash and cash equivalents include:

Cash	\$ 1,864,206	\$ 2,710,730
Term savings, 1.05% to 1.2%	<u>11,102,335</u>	<u>10,343,273</u>
	\$ 12,966,541	\$ 13,054,003

Société de coopération pour le développement international (SOCODEVI)

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2018

1. STATUTE OF INCORPORATION AND NATURE OF ACTIVITIES

The Company is a not-for-profit organization incorporated under Part II of the Canada Business Corporations Act. Along with its various lenders, through the involvement of its member institutions and through promotion of the cooperative and mutualism movements and other forms of associations, the Company contributes to sustainable development in partner countries with a view to empowering their inhabitants. The Company is exempt from taxes.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation of financial statements

The Company's financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations.

Use of estimates

The preparation of financial statements in accordance with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results may differ from these estimates.

Revenue recognition

The Company's operations are recorded using the deferral method. Under this method, restricted contributions are recognized as revenues in the same period as the related expenses are incurred. Unrestricted contributions are recognized as revenues in the period in which they are received or receivable if the amount to be recorded can be reasonably estimated and collection is reasonably assumed.

In accordance with contribution agreements entered into with different lenders, any non-spent or unjustified amount provided by these lenders to the Company must be returned to them, under the terms of the programs accepted by the lenders. No provision has been recognized in respect of amounts that could be returned.

Under some agreements entered into with lenders, the interest generated by their contributions must be used for the projects and the interest that will not have been spent or justified must be returned to the lenders. This interest is accounted for as deferred revenue and transferred to the project revenues when it is reinvested in the project. Any other interest income is included in "Interest and other revenues".

Société de coopération pour le développement international (SOCODEVI)

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting

The unappropriated net assets consist of the excess of current and prior year surplus, net of appropriations to other funds.

The net assets invested in fixed assets and intangible assets present the assets, liabilities, revenues and expenses related to fixed assets and intangible assets.

The Contingency Fund's purpose is to provide the Company with a sufficient reserve so that the Company will be able to meet its financial obligations towards its partners, lenders, suppliers and employees. Any increase in this fund must be ratified by the Board of Directors. Members will decide of the disposal and the use of the Fund at the special meeting of members. Investment income from the Contingency Fund's resources is also presented in the Contingency Fund.

The Special Projects Fund's purpose is to provide the Company with financial resources so that the Company can foster and strengthen its development. Any increase, disposal and use of the fund must be ratified by the Board of Directors.

Currency translation

The transactions carried out in other currencies are translated using the temporal method. Monetary assets and liabilities are translated at the exchange rate in effect at the balance sheet date, whereas revenues and expenses are translated at monthly average exchange rates. The non-monetary items are translated at the exchange rates at the transaction dates. All exchange gains and losses are current in nature and are included in the statement of income.

Financial instruments

Measurement of financial instruments

The Company initially measures its financial assets and liabilities at fair value, except for operations between related parties other than members of management, that it measures at carrying value or exchange value, as appropriate.

Subsequently, the Company measures all the financial assets and liabilities at amortized cost.

Impairment of financial assets

Financial assets measured at cost are subject to an impairment test if there are any indications of impairment. The reduction in value amount is recorded in the income statement. Already posted depreciation may be subject to value recovery to the extent of the improvement, either directly, or by adjusting the allowance account, without being greater than what it would have been at the time of the recovery if the depreciation had never been recognized. This recovery is recorded in the income statement.

Société de coopération pour le développement international (SOCODEVI)

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Derivative financial instruments

The Company may invest in derivatives for purposes other than hedging. These freestanding derivative financial instruments that give rise to financial assets or liabilities, are measured at fair value. Changes in fair value are recognized in the income statement of the year in which they occur.

Prepaid expenses

Prepaid expenses have been given to local partners, local consultants, local employees, as well as Canadian employees working abroad to allow the realization of projects in countries of intervention. Prepaid expenses also include payments of an administrative nature.

Fixed assets

Fixed assets are accounted for at cost.

Amortization is calculated in function of their lifetime according to the following methods, and periods or rates:

	Amortization methods	Periods or rates
Leasehold improvements	straight-line	remaining term
Computer equipment	diminishing balance	30%
Rolling stock	straight-line	4 years
Furniture and office equipment	diminishing balance	20%

Fixed assets acquired as part of the international program are charged to the income statement since the Company does not remain the owner of these assets.

When a fixed asset has no longer the potential of long-term service to the Company, the excess of its net book value over any residual value is recorded as an expense in the income statement.

Intangible assets

Intangible assets, made of software, are accounted for at cost and amortized using the diminishing balance method at the rate of 30%.

When an intangible asset has no longer the potential of long-term service to the Company, the excess of its net book value over any residual value is recorded as an expense in the income statement.

Société de coopération pour le développement international (SOCODEVI)

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2018

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred revenue

Lender's contributions, whose expenses related to the corresponding projects are not incurred, are accounted for as deferred revenue and transferred to income during the year in which the expenses are incurred.

Contributions in the form of services rendered

Contributions in the form of services rendered represent the value of the contribution provided by the Company's member institutions under its international program. This value was estimated from the daily rates recognized by Global Affairs Canada under its Partnership Program.

Services received without consideration

Income does not include the cost of services rendered through awareness and institutional activities by the directors, the personnel and other reference people that are part of the Company's member institutions.

Employee future benefits

The Company offers a defined contribution plan to its employees.

Current service cost for the pension plan is accounted for in the statement of income in the year in which the contributions are payable by the employer. Past service costs are recognized in the year in which the plan is initiated or in the year in which a plan amendment is agreed to.

Cash and cash equivalents

The Company's cash and cash equivalents include cash and term savings.

3. ACCOUNTS RECEIVABLE

	2018	2017
Contributions receivable	\$ 1,993,015	\$ 2,229,157
Contributions receivable in partners' name	539,170	452,959
	\$ 2,532,185	\$ 2,682,116

Société de coopération pour le développement international (SOCODEVI)

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2018

4. INVESTMENTS ACCOUNTED FOR AT COST

	2018	2017
Contingency Fund and Special Projects Fund		
Desjardins		
Term deposit certificate, at an annual compound rate of 2.05%, maturing in September 2019, non-redeemable before maturity	\$ 96,914	\$ 94,972
La Capitale		
Guaranteed investment certificates, at annual compound rates of 1.55% and 2.3%, maturing in July 2021, non-redeemable before maturity	1,242,166	1,016,510
Union Vie		
Guaranteed investment certificates, at annual compound rates of 1.95% and 2.2%, maturing in July 2021, non-redeemable before maturity	1,240,467	1,015,310
	2,579,547	2,126,792
Foreign shares		
UNEC S.A.*		
162 common shares, representing a 33.33% interest	12,516	12,516
	\$ 2,592,063	\$ 2,139,308

* The equity investment is recorded at cost since the appreciation of the foreign shares is not held by the Company. The UNEC S.A. is a Bolivian company whose mission is the production, marketing and export of agricultural products.

5. FIXED ASSETS

	2018		2017	
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 151,125	\$ 60,753	\$ 90,372	\$ 117,025
Computer equipment	114,918	71,623	43,295	61,267
Rolling stock	40,090	34,243	5,847	15,869
Furniture and office equipment	182,239	60,017	122,222	146,431
	\$ 488,372	\$ 226,636	\$ 261,736	\$ 340,592

Société de coopération pour le développement international (SOCODEVI)

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2018

6. INTANGIBLE ASSETS

			2018	2017
	Cost	Accumulated amortization	Net book value	Net book value
Software	\$ 88,091	\$ 80,664	\$ 7,427	12,998

7. CREDIT FACILITIES

The Company has an authorized credit facility of \$1,000,000, bearing interest at prime rate. The credit facility is secured by general movable hypothecs of \$1,200,000 encumbering all present and future accounts receivable, income from letters of guarantees in favour of the Company and investments held in any form. As at March 31, 2018, the credit facility was unused.

The Company also has a credit facility specific to forward currency exchange contracts and foreign currency options, for an authorized amount of \$60,000, bearing interest at 3% and renewable annually. As at March 31, 2018, the credit facility is unused and secured by a term deposit certificate with a carrying value of \$96,914.

8. ACCOUNTS PAYABLE

	2018	2017
Accounts payable and accrued expenses	\$ 184,923	\$ 313,947
Contributions payable to partners	539,170	452,959
Accrued salaries and vacations	409,951	577,226
Remittances to the Government		
Source deductions and contributions	100,786	87,582
Consumption taxes	114,377	70,507
	\$ 1,349,207	\$ 1,502,221

Société de coopération pour le développement international (SOCODEVI)

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2018

9. DEFERRED REVENUE (CONTRIBUTIONS RECEIVABLE)

	2018	2017
BALANCE , beginning of year	\$ 10,094,277	\$ 12,204,855
Receipts, interest granted and other variations	<u>23,962,951</u>	<u>24,212,989</u>
	34,057,228	36,417,844
Amounts transferred to income	<u>(23,700,771)</u>	<u>(26,323,567)</u>
BALANCE , end of year	\$ 10,356,457	\$ 10,094,277
Deferred revenue	\$ 12,317,000	\$ 12,168,044
Contributions receivable (Note 3)	<u>(1,960,543)</u>	<u>(2,073,767)</u>
BALANCE , end of year	\$ 10,356,457	\$ 10,094,277

10. INTERNAL APPROPRIATIONS

During the year, the Board of Directors has appropriated a net amount of \$200,000 to the Contingency Fund and a net amount of \$200,000 (2017 - \$400 000) to the Special Projects Fund.

11. COMMITMENTS

Leases

The Company has lease commitments until 2022 for the rental of office space and equipment. The balance of the commitments under such leases is \$373,311. Minimum payments payable over the next four years are as follows:

2019 -	\$	110,768
2020 -	\$	110,768
2021 -	\$	110,905
2022 -	\$	40,870

Société de coopération pour le développement international (SOCODEVI)

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2018

12. RELATED PARTY TRANSACTIONS

The Company is related to the SOCODEVI Foundation for international development (hereafter referred to as the Foundation), whose mission is to collect donations in order to financially support local communities and associative organizations (cooperatives and mutual organizations) in developing countries.

The Company is related to the Foundation by its right to designate three of the seven directors and by the fact that it holds an economic interest in its activities. The Foundation allows SOCODEVI's member institutions to make donations to the Company's Southern partners. These donations are considered as the Company's financial counterpart in its Partnership Program with Global Affairs Canada.

The Company has committed to providing the Foundation with the administrative services required for the realization of its activities, without receiving consideration in return. The cost of services rendered by the Company's staff to the Foundation is estimated at \$13,798 for the current year (2017 - \$18,755).

The following amounts were related to the Company's activities with the Foundation and were included in its financial statements:

	2018	2017
Balance sheet		
Accounts receivable	\$ 1,780	\$ 27,119
Statement of income		
Interest and other revenues	\$ 17,995	\$ 17,575
Institutional expenses	\$ 6,915	\$ 50,000

These transactions were carried out in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Société de coopération pour le développement international (SOCODEVI)

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2018

13. OPERATIONS WITH PARTNERS

During the year, the Company realized the following projects with partners:

Project	Partners	Interest in net income	Total
Appui à la filière riz pour la sécurité alimentaire au Sénégal/Bey Dundé - AMC	CECI and UPA DI	30% \$	(17,072)
Programme de gestion de l'eau dans le bassin de l'artibonite (PROGEBEA)	CECI	45%	(11,611)
Programme multisectoriel d'amélioration des conditions de vie en milieu rural bolivien (PROMAVI) - AMC	CCISD	60%	78,280
Feere Diyara Project ("Marketing was good") - Mali	CECI and UPA DI	40%	156,934
Projet de renforcement des services publics agricoles - Champs Écoles Paysans	CECI and UPA DI	25%	1,570
Setting up of cooperatives for storage and marketing of grain - Ukraine	CCA and Université de Sherbrooke (IRECUS)	60%	149,733
Projet de renforcement des services publics agricoles 2 (RESEPAGII)	CECI and UPA DI	25%	(61,453)
Projet de transferts de technologies aux agriculteurs du Nord et du Nord-Est (PTTA)	CECI and UPA DI	25%	44,269
		\$	<u>340,650</u>

14. FINANCIAL INSTRUMENTS

Currency risk

The Company operates some of its transactions in foreign currencies, especially in EUROS, CFA francs and US dollars. As a result, certain assets are exposed to exchange rate fluctuations. As at March 31, 2018, net assets denominated in foreign currencies and converted to Canadian dollars are of \$1,352,206 (2017 - \$2,047,085). Given that currency risk is often taken on by funders in different projects, the Company considers that, as at March 31, 2018, net assets of only \$471,919 (2017 - \$957,612) are exposed to currency risk.

The Company has an agreement on forward currency exchange contracts and foreign currency options with a trading volume of \$1,000,000 for derivative contracts of a term of not more than 24 months.

As at March 31, 2018, the Company had no active forward currency exchange contracts.

Société de coopération pour le développement international (SOCODEVI)

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2018

14. FINANCIAL INSTRUMENTS (continued)

Credit risk

In the normal course of its activities, the Company monitors its accounts receivable. The Company does not believe it is exposed to higher than normal risks regarding its clients.

As at March 31, 2018, approximately 81% (2017 - 86%) of accounts receivable were due from two clients (2017 - a single client).

The risk of uncollectibility is mitigated by the fact that the amounts receivable are mainly from governmental organizations and governmental societies.

Interest rate risk

The Company has credit facilities at variable rates. However, they are unused as at March 31, 2018.

Investments bear interest at fixed rates ranging from 1.55% to 2.3%. Consequently, the risks the Company is exposed to are minimal.