

**SOCODEVI : Société
de coopération pour le
développement international**

Financial Statements
As at March 31, 2021

Together with Independent Auditor's Report

MALLETTE

Société de
comptables professionnels agréés

Mallette S.E.N.C.R.L.
501 1200 boulevard Guillaume-Couture
Lévis QC G6W 0R9
Téléphone : 418 839-7531
Télécopie : 418 839-8415
info.levis@mallette.ca

INDEPENDENT AUDITOR'S REPORT

To the members

SOCODEVI : Société de coopération pour le développement international,

Opinion

We have audited the financial statements **SOCODEVI : SOCIÉTÉ DE COOPÉRATION POUR LE DÉVELOPPEMENT INTERNATIONAL** (Company), which comprise the balance sheet as at March 31, 2021 and the statements of income, retained earnings and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for private enterprises.

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 Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for private enterprises 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.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 Company'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 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 Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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.

*Mallette L.L.P.*¹

Mallette L.L.P.

Partnership of chartered professional accountants

Lévis, Canada

September 24, 2021

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

SOCODEVI : Société de coopération pour le développement international

STATEMENT OF INCOME

For the year ended March 31,

2021

2020

REVENUES

International program	\$ 25,359,752	\$ 26,375,931
Contributed services rendered by member institutions	360,117	240,665
Contributions from member institutions	45,200	51,245
Interest and other revenues	127,730	174,928
	25,892,799	26,842,769

EXPENSES

International program	22,298,265	23,703,633
Contributed services rendered by member institutions	360,118	240,666
Institutional expenses	1,868,931	2,136,625
Amortization of fixed assets	89,132	70,115
Amortization of intangible assets	-	3,045
	24,616,446	26,154,084

EXCESS OF REVENUES OVER EXPENSES

\$ 1,276,353 \$ 688,685

SOCODEVI : Société de coopération pour le développement international

STATEMENT OF CHANGES IN NET ASSETS

For the year ended March 31,

2021 2020

	Unappropriated (Notes 5 and 6)	Invested in fixed assets and intangible assets	Appropriated to Contingency Fund	Appropriated to Projects Fund	Appropriated to Special Fund	Total
BALANCE, beginning of year	\$ 3,886,197	\$ 227,066	\$ 1,739,899	\$ 1,139,129	\$ 6,992,291	\$ 6,303,606
Excess (deficiency) of revenues over expenses	1,301,683	(89,132)	36,775	27,027	1,276,353	688,685
Appropriations	(32,841)	32,841	-	-	-	-
Gain (loss) on write-off of fixed assets and intangible assets	(6,724)	6,724	-	-	-	-
BALANCE, end of year	\$ 5,148,315	\$ 177,499	\$ 1,776,674	\$ 1,166,156	\$ 8,268,644	\$ 6,992,291

SOCODEVI : Société de coopération pour le développement international

BALANCE SHEET

As at March 31,

2021

2020

ASSETS

CURRENT ASSETS

Cash	\$ 4,329,677	\$ 3,478,273
Term savings, 0.25% to 0.5%	12,068,609	8,444,066
Accounts receivable (Note 3)	2,781,225	3,737,591
Prepaid expenses	1,510,942	1,442,817
Current portion of investments accounted for at cost (Note 4)	2,904,759	-

23,595,212 17,102,747

INVESTMENTS ACCOUNTED FOR AT COST (Note 4)

261,611 3,063,951

FIXED ASSETS (Note 5)

175,032 226,583

INTANGIBLE ASSETS (Note 6)

2,467 483

\$ 24,034,322 \$ 20,393,764

LIABILITIES

CURRENT LIABILITIES

Accounts payable (Note 8)	\$ 1,683,176	\$ 1,122,006
Deferred revenue (Note 9)	14,082,502	12,279,467

15,765,678 13,401,473

NET ASSETS

Unappropriated	5,148,315	3,886,197
Invested in fixed assets and intangible assets (Notes 5 and 6)	177,499	227,066
Appropriated to Contingency Fund	1,776,674	1,739,899
Appropriated to Special Projects Fund	1,166,156	1,139,129

8,268,644 6,992,291

\$ 24,034,322 \$ 20,393,764

On behalf of the Board,


_____, Director


_____, Director

SOCODEVI : Société de coopération pour le développement international

STATEMENT OF CASH FLOWS

For the year ended March 31,

2021

2020

OPERATING ACTIVITIES

Excess of revenues over expenses	\$ 1,276,353	\$ 688,685
Non-cash items		
Amortization of fixed assets and intangible assets	89,132	73,160
Loss (gain) on write-off of fixed assets and intangible assets	(6,724)	4,979
Interest income from the Contingency Fund	(62,419)	(58,505)
	<u>1,296,342</u>	<u>708,319</u>
Net change in non-cash working capital items	<u>3,252,446</u>	<u>(1,824,463)</u>
	<u>4,548,788</u>	<u>(1,116,144)</u>

INVESTING ACTIVITIES

Acquisition of investments	(40,000)	(370,077)
Acquisition of fixed assets and intangible assets	(32,841)	(80,858)
	<u>(72,841)</u>	<u>(450,935)</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	4,475,947	(1,567,079)
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,922,339</u>	<u>13,489,418</u>
CASH AND CASH EQUIVALENTS, end of year	\$ 16,398,286	\$ 11,922,339

Cash and cash equivalents include:

Cash	\$ 4,329,677	\$ 3,478,273
Term savings, 0.25% to 0.5%	<u>12,068,609</u>	<u>8,444,066</u>
	<u>\$ 16,398,286</u>	<u>\$ 11,922,339</u>

SOCODEVI : Société de coopération pour le développement international

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

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 follows the deferral method of accounting for contributions. Under this method, restricted contributions are recognized as revenues in the same year as the related expenses are incurred. Unrestricted contributions are recognized as revenues in the year in which they are received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contract revenue is recognized under the percentage-of-completion method prorated across costs incurred over total estimated costs. When a terminal loss on a contract can be reasonably estimated, the total estimated amount of the loss is recognized as an expense of the year.

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".

SOCODEVI : Société de coopération pour le développement international

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund accounting

Unappropriated net assets consist of the excesses of current and prior years, net of appropriations to other funds.

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

Items denominated in other currencies are translated into Canadian dollars using the temporal method. Therefore, monetary assets and liabilities of the balance sheet are translated at the exchange rate in effect at the balance sheet date, whereas revenues and expenses are translated at monthly average exchange rates. 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 accounted for 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. The adjusted carrying amount shall not be greater than what it would have been at the time of the recovery if the depreciation had never been recognized. This recovery is accounted for in the income statement.

SOCODEVI : Société de coopération pour le développement international

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

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 based on their life using to the following methods, and periods or rates:

	Amortization methods	Periods or rates
Leasehold improvements	straight-line	remaining term of the lease
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.

Intangible assets

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

Impairment of long-term assets

Long-term assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds the undiscounted cash flows expected to result from their use and eventual disposition. An impairment loss should be measured as the amount by which the carrying amount of a long-term asset exceeds its fair value.

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.

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NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	2021	2020
Contributions receivable	\$ 1,526,677	\$ 3,453,429
Contributions receivable from joint venture projects	746,092	-
Contributions receivable in partners' name	297,599	217,701
Other receivables	210,857	66,461
	\$ 2,781,225	\$ 3,737,591

SOCODEVI : Société de coopération pour le développement international

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

4. INVESTMENTS ACCOUNTED FOR AT COST

	<u>2021</u>	<u>2020</u>
Contingency Fund and Special Projects Fund		
Desjardins Term deposit certificate, at an annual compound rate of 2%, maturing in September 2024, non-redeemable before maturity	\$ 102,919	\$ 100,934
La Capitale Guaranteed investment certificates, at annual compound rates ranging from 0.5% to 2.3%, maturing until January 2022, non-redeemable before maturity	1,452,780	1,422,501
Union Vie Guaranteed investment certificates, at annual compound rates ranging from 1.95% to 2.85%, maturing until January 2022, non-redeemable before maturity	1,451,979	1,420,440
Foreign Bank Term deposit certificate, at an annual compound rate of 5.5%, maturing in August 2022, non-redeemable before maturity	118,692	120,076
Quebec International Solidarity Investment Fund : Investment at an annual compound rate of 3%, which can be increased to 5% if the profitability of the fund allows it, maturing in April 2030, non- redeemable before maturity	40,000	-
Current portion	3,166,370	3,063,951
	<u>2,904,759</u>	<u>-</u>
	\$ 261,611	\$ 3,063,951

SOCODEVI : Société de coopération pour le développement international

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

5. FIXED ASSETS

	2021			2020
	Cost	Accumulated amortization	Net book value	Net book value
Leasehold improvements	\$ 173,859	\$ 161,466	\$ 12,393	63,014
Computer equipment	233,805	165,136	68,669	45,432
Rolling stock	40,090	40,090	-	-
Furniture and office equipment	229,198	135,228	93,970	118,137
	\$ 676,952	\$ 501,920	\$ 175,032	226,583

6. INTANGIBLE ASSETS

	2021			2020
	Cost	Accumulated amortization	Net book value	Net book value
Software	\$ 89,263	\$ 86,796	\$ 2,467	483

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 all present and future accounts receivable, income from letters of guarantees in favour of the Company and investments held in any form for an amount of \$1,200,000. As at March 31, 2021, the credit facility was unused.

The Company 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, 2021, the credit facility is unused and secured by a term deposit certificate with a net carrying value of \$102,919.

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NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

8. ACCOUNTS PAYABLE

	2021	2020
Accounts payable and accrued expenses	\$ 679,692	\$ 329,379
Contributions payable to partners	320,378	224,544
Accrued salaries and vacations	549,396	461,528
Remittances to the Government		
Source deductions and contributions	133,710	106,555
	\$ 1,683,176	\$ 1,122,006

9. DEFERRED REVENUE

	2021	2020
BALANCE , beginning of year	\$ 8,826,038	\$ 10,292,837
Receipts, interest granted and other variations	28,343,447	24,909,132
	37,169,485	35,201,969
Amounts transferred to income	25,359,752	26,375,931
BALANCE , end of year	\$ 11,809,733	\$ 8,826,038
Deferred revenue	\$ 14,082,502	\$ 12,279,467
Contributions receivable (Note 3)	(1,526,677)	(3,453,429)
Contributions receivable from joint venture projects (Note 3)	(746,092)	-
BALANCE , end of year	\$ 11,809,733	\$ 8,826,038

10. RELATED PARTY TRANSACTIONS

The Company is related to the SOCODEVI Foundation for international development (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 the Company'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 \$27,948 for the current year (2020 - \$25,854).

SOCODEVI : Société de coopération pour le développement international

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

10. RELATED PARTY TRANSACTIONS (continued)

The most significant transactions with the Foundation are as follows:

	2021	2020
Balance sheet		
Accounts receivable	\$ 2,044 \$	1,769
Statement of income		
Interest and other revenues	\$ 21,617 \$	19,738
Institutional expenses	\$ - \$	1,724

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 upon by the related parties.

11. FINANCIAL INSTRUMENTS

Currency risk

The Company operates some of its transactions in foreign currencies, especially in EUROS, US dollars, Malagasy Ariary, Colombian pesos and CFA francs. As a result, certain assets are exposed to exchange rate fluctuations. As at March 31, 2021, net assets denominated in foreign currencies and converted into Canadian dollars are of \$1,612,710 (2020 - \$2,075,083). Given that currency risk is often taken on by funders in different projects, the Company considers that, as at March 31, 2021, only net assets of \$382,724 (2020 - \$1,454,577) 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 not exceeding 24 months.

As at March 31, 2021, the Company had no active forward currency exchange contracts.

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, 2021, approximately 87% (2020 - 81%) of accounts receivable were due from three clients (2020 - four clients).

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

Interest rate risk

The Company has credit facilities at variable rates. However, they are unused as at March 31, 2021.

Investments bear interest at fixed rates ranging from 0.5% to 5.5%. Consequently, the risks the Company is exposed to are minimal.

SOCODEVI : Société de coopération pour le développement international

NOTES TO FINANCIAL STATEMENTS

As at March 31, 2021

12. SIGNIFICANT EVENT

The coronavirus pandemic (COVID-19) results in an economic downturn across all markets, which has potential financial impacts on the Company. This pandemic leads to a significant economic uncertainty and, consequently, it is difficult to reliably estimate the potential financial impact of this uncertainty.

The Company's management has taken measures to mitigate the impact of this crisis. It has benefited from the financial assistance provided by the government such as Canada Emergency Wage Subsidy (CEWS) and Canada Emergency Rent Subsidy (CERS). A total amount of \$427,710 was obtained for the period from March 15, 2020 to March 31, 2021. These subsidies are presented in reduction of the institutional expenses. They have not yet been examined by the government authorities.