# USC Canada

Financial Statements
**April 30, 2017**

July 22, 2017

## Independent Auditor's Report

**To the Directors of**
**USC Canada**

We have audited the accompanying financial statements of USC Canada, which comprise the statement of financial position as at April 30, 2017 and the statements of operations and changes in net assets and cash flows for the year then ended, and the related notes, which comprise 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 judgement, 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.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 USC Canada as at April 30, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

PricewaterhouseCoopers LLP

**Chartered Professional Accountants, Licensed Public Accountants**

# USC Canada

Statement of Financial Position

**As at April 30, 2017**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash | 740,395 | 2,820,138 |
| Accounts receivable | 60,601 | 66,423 |
| Due from USC Foundation (note 7) | - | 278,690 |
| Advances to overseas partners and projects (note 4) | 85,697 | 591,788 |
| Prepaid expenses | 22,618 | 30,321 |
| | 909,311 | 3,787,360 |
| **Capital assets** (note 5) | 420,259 | 431,820 |
| | 1,329,570 | 4,219,180 |
| **Liabilities and Net Assets** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities (note 9) | 313,590 | 326,523 |
| Due to USC Foundation (note 7) | 68,542 | - |
| Deferred contributions (note 3) | 607,275 | 3,552,687 |
| | 989,407 | 3,879,210 |
| **Net assets** | 340,163 | 339,970 |
| | 1,329,570 | 4,219,180 |

**Commitments and contingencies** (note 6)

**Approved by the Board of Directors**

Director

Director

The accompanying notes are an integral part of these financial statements.

# USC Canada

Statement of Operations and Changes in Net Assets

**For the year ended April 30, 2017**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Revenue** | | |
| Global Affairs Canada | 3,112,095 | 3,044,290 |
| Support from Foundations | | |
| USC Foundation (note 7) | 1,473,500 | 1,361,100 |
| RH Webster Foundation | 260,500 | 256,000 |
| Kenoli Foundation | 20,385 | - |
| Other foundations | 1,306,778 | 1,401,725 |
| Support from general public | 753,919 | 1,014,221 |
| Other | 200,035 | 40,749 |
| Investment income | 5,271 | 3,746 |
| | 7,132,483 | 7,121,831 |
| **Expense** | | |
| Program | | |
| Seeds of Survival - International | 4,254,866 | 4,373,833 |
| Seeds of Survival - Canadian | 1,643,696 | 1,798,586 |
| Other international programs | 325,851 | 54,261 |
| | 6,224,413 | 6,226,680 |
| Non-program | | |
| Administration | 490,617 | 461,114 |
| Fundraising | 417,260 | 434,000 |
| | 907,877 | 895,114 |
| | 7,132,290 | 7,121,794 |
| **Net revenue for the year** | 193 | 37 |
| **Net assets - Beginning of the year** | 339,970 | 339,933 |
| **Net assets - End of the year** | 340,163 | 339,970 |

The accompanying notes are an integral part of these financial statements.

# USC Canada

Statement of Cash Flows

**For the year ended April 30, 2017**

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Cash provided by (used in)** | | |
| **Operating activities** | | |
| Net revenue for the year | 193 | 37 |
| Items not affecting cash - | | |
| Loss on sale of capital assets | 367 | 801 |
| Amortization of capital assets | 48,567 | 32,127 |
| Net changes in non-cash working capital items | (2,091,497) | 2,344,684 |
| | (2,042,370) | 2,377,649 |
| **Investing activities** | | |
| Proceeds on disposal of investments | - | 334,923 |
| Proceeds on disposal of capital assets | 200 | 1,817 |
| Purchase of capital assets | (37,573) | (409,332) |
| | (37,373) | (72,592) |
| **Net change in cash for the year** | (2,079,743) | 2,305,057 |
| **Cash - Beginning of year** | 2,820,138 | 515,081 |
| **Cash - End of year** | 740,395 | 2,820,138 |

The accompanying notes are an integral part of these financial statements.

## 1 Purpose of the organization

USC Canada ("the Organization") is a leading international development organization that promotes vibrant family farms, strong rural communities and healthy ecosystems around the world. With engaged Canadian partners and partners in Africa, Asia and Latin America, the Organization supports programs, training and policies that strengthen biodiversity, food sovereignty and the rights of those at the heart of resilient food systems: women, indigenous peoples and small-scale farmers.

The Organization is incorporated under the *Canada Not-for-profit Corporations Act*. The Organization is a registered charity under subsection 149(1)(f) of the *Income Tax Act* and is exempt from income taxes.

## 2 Significant accounting policies

### Basis of presentation

The Organization controls the USC Foundation ("the Foundation") as the members of the Board of Directors of the Organization are the members of the Foundation. This controlled not-for-profit entity has not been consolidated in the Organization's financial statements. Summaries of the financial position, results from operations and cash flows of the Foundation are provided in note 7.

### Use of estimates

The preparation of financial statements in conformity 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 disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenue and expense during the reporting periods. Actual results could differ from these estimates.

### Investments

Investments are measured at fair value using quoted market prices. Dividends, interest and changes in fair value are recognized in net revenue for the year.

### Advances to overseas partners and projects

Funds are recorded as advances when sent overseas and are subsequently reduced when the expenses are incurred by the overseas partner organization or on overseas projects.

### Capital assets

Capital assets are initially recorded at cost and are amortized over their useful lives, using the straight-line method as follows.

| | |
|---|---|
| Computer hardware and office equipment | 5 years |
| Furniture | 10 years |
| Leasehold improvements | Life of lease |

### Revenue recognition

The Organization follows the deferral method of accounting for contributions.

Revenue received in respect of program support is deferred until the related expenditures are incurred.

Unrestricted donations are recognized as revenue when received. Funds received designated for an activity or project by the donor are recognized as revenue when used for the purpose for which the funds were received.

### Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates in effect at year-end. Revenue and expense denominated in foreign currencies are translated at the average exchange rate for each quarter.

### Donations in-kind

The Organization has received support in the form of donated airtime and column space from radio and television stations, newspapers and magazines throughout the country. The value of these donated services is not recognized in the accounts of the Organization as the amounts cannot be readily determined.

### Allocation of expenses

The Organization engages in Seeds of Survival - International, Seeds of Survival - Canadian and other international programs. The costs of each program include the costs of personnel, premises and other expenses that are directly related to providing the program.

The Organization also incurs a number of general support expenses that are common to the administration of the Organization and each of its programs, including premises costs, information technology, insurance and general office supplies.

General support expenses are allocated based on the actual days worked charged to each program.

## 3 Deferred contributions

| | Balance - Beginning of year $ | Funds received $ | Amounts recognized as revenue $ | Amounts receivable $ | Balance - End of year $ |
|---|---|---|---|---|---|
| Global Affairs Canada | 3,112,095 | - | 3,112,095 | - | - |
| Other | 440,592 | 1,513,161 | 1,356,027 | 9,549 | 607,275 |
| | 3,552,687 | 1,513,161 | 4,468,122 | 9,549 | 607,275 |

## 4 Advances to overseas partners and projects

2.8% (2016 - 6.8%) of advances to host field offices are held in U.S. dollars and 97.2% (2016 - 93.2%) are held in other local currencies.

## 5 Capital assets

| | | | 2017 | 2016 |
|---|---|---|---|---|
| | Cost $ | Accumulated amortization $ | Net $ | Net $ |
| Computer hardware and office equipment | 151,159 | 87,396 | 63,763 | 54,612 |
| Furniture | 123,191 | 21,945 | 101,246 | 103,330 |
| Leasehold improvements | 279,287 | 24,037 | 255,250 | 273,878 |
| | 553,637 | 133,378 | 420,259 | 431,820 |

Cost and accumulated amortization amounted to $518,662 and $86,842, respectively, as at April 30, 2016.

## 6 Commitments and contingencies

The Organization is committed to minimum annual payments under a lease for its head office as follows. There is an early termination clause which can be enacted in the sixth year.

| | $ |
|---|---|
| Year ending April 30, 2018 | 146,246 |
| 2019 | 146,246 |
| 2020 | 147,660 |
| 2021 | 151,904 |
| 2022 | 151,904 |
| Thereafter | 594,955 |

Contribution agreements allow funding agencies to conduct audits to ensure project expenditures are in accordance with the terms and conditions. Ineligible expenditures, if any, may result in the Organization reimbursing a portion of the funding. Management believes that the Organization has incurred no ineligible expenditures and has, therefore, not recorded any liability for reimbursement.

## 7 USC Foundation

The Foundation has been established to accept donations, gifts, legacies and bequests for the long-term support and security of Organization programs. The Foundation is incorporated under the *Canada Not-for-profit Corporations Act*. The Foundation is a public foundation under section 149.1 of the *Income Tax Act* and is exempt from income taxes.

The results of the Foundation have not been consolidated in these financial statements. Summaries of the financial position, results of operations and cash flows of the Foundation as at April 30, 2017 and 2016, and for the years then ended, are as follows.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Financial position** | | |
| Total assets | 6,879,378 | 7,406,389 |
| Total liabilities | 11,423 | 285,060 |
| Total net assets | 6,867,955 | 7,121,329 |
| | 6,879,378 | 7,406,389 |

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| **Results of operations** | | |
| Total revenue | 1,281,329 | 533,288 |
| Total expense | 99,853 | 245,718 |
| Revenue before contribution to USC Canada | 1,181,476 | 287,570 |
| Contributions to USC Canada | 1,473,500 | 1,361,100 |
| Net expense for the year | (292,024) | (1,073,530) |
| **Cash provided by (used in)** | | |
| Operating activities | (1,155,486) | (388,194) |
| Investing activity | 1,120,771 | 182,899 |
| Financing activity - Endowment contributions recorded as direct increases in net assets | 38,650 | 56,863 |
| Net change in cash for the year | 3,935 | (148,432) |

Net assets of the USC Foundation are comprised of:

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Internally restricted - Lotta Hitschmanova Legacy | 6,255,420 | 6,547,444 |
| Externally restricted - Endowments | 612,535 | 573,885 |
| | 6,867,955 | 7,121,329 |

The Organization has been reimbursed $76,859 (2016 - $99,270) from the Foundation, representing an allocation of employee salaries and USC Canada administration expenses based on time spent working for each entity. These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties involved.

Amounts due to or from the Foundation are without defined terms of repayment and are non-interest bearing.

## 8 Allocation of expenses

General support expenses, including premises costs, information technology, insurance and general office supplies, have been allocated as follows.

| | 2017<br>$ | 2016<br>$ |
|---|---|---|
| Seeds of Survival - International | 83,652 | 61,120 |
| Seeds of Survival - Canadian | 65,481 | 55,390 |
| Other international programs | 1,767 | 1,334 |
| Fundraising | 33,497 | 21,980 |
| | 184,397 | 139,824 |

## 9 Government remittances

Government remittances of $nil (2016 - $nil) are included in accounts payable and accrued liabilities.