



Canadian International
Development Agency

Agence canadienne de
développement international

Financial Statements 2009-2010

Canadian International Development Agency
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Canada 

Statement of Management Responsibility Including Internal Control Over Financial Reporting

Responsibility for the integrity and objectivity of the accompanying financial statements for the year ended March 31, 2010, and all information contained in these statements rests with the management of the Canadian International Development Agency. These financial statements have been prepared by management in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Management is responsible for the integrity and objectivity of the information in these financial statements. Some of the information in the financial statements is based on management's best estimates and judgment, and gives due consideration to materiality. To fulfill its accounting and reporting responsibilities, management maintains a set of accounts that provides a centralized record of the Agency's financial transactions. Financial information submitted in the preparation of the *Public Accounts of Canada*, and included in the Agency's *Departmental Performance Report*, is consistent with these financial statements.

Management is also responsible for maintaining an effective system of internal control over financial reporting designed to provide reasonable assurance that financial information is reliable, that assets are safeguarded and that transactions are properly authorized and recorded in accordance with the *Financial Administration Act* and other applicable legislation, regulations, authorities and policies.

Management seeks to ensure the objectivity and integrity of data in its financial statements through careful selection, training, and development of qualified staff; through organizational arrangements that provide appropriate divisions of responsibility; through communication programs aimed at ensuring that regulations, policies, standards, and managerial authorities are understood throughout the Agency; and through conducting an annual assessment of the effectiveness of the system of internal control over financial reporting.

An assessment for the year ended March 31, 2010 was completed in accordance with the Policy on Internal Control and the results and action plans are summarized in the annex.

The system of internal control over financial reporting is designed to mitigate risk to a reasonable level and may not prevent or detect misstatements. It is based on an ongoing process designed to identify and prioritize risks and the controls to mitigate these risks.

The effectiveness and adequacy of the Agency's system of internal control is also reviewed through the work of internal audit staff, who conduct periodic audits of different areas of the Agency's operations, and by the Departmental Audit Committee, which oversees management's responsibilities for maintaining adequate control systems and the quality of financial reporting.

The financial statements of the Canadian International Development Agency have not been audited.

Margaret Biggs
President

Date

Jim Quinn
Chief Financial Officer

Date

Canadian International Development Agency
Statement of Operations (unaudited)
for the year ended March 31
(in thousands of dollars)

	2010	2009
Expenses (Note 4)		(Note 19)
Multilateral, International and Canadian Institutions	\$ 1,625,872	\$ 1,268,083
Fragile States and Countries Experiencing Humanitarian Crisis	1,017,754	844,460
Countries of Concentration	747,823	864,608
Selected Countries and Regions	387,516	325,926
Internal Services	114,249	155,100
Engaging Canadian Citizens	16,181	22,523
Total expenses	3,909,395	3,480,700
 Revenues (Note 5)		
Multilateral, International and Canadian Institutions	170,509	162,795
Selected Countries and Regions	9,182	11,216
Countries of Concentration	9,043	32,614
Fragile States and Countries Experiencing Humanitarian Crisis	20	8
Engaging Canadian Citizens	6	3
Internal Services	4	31
Total revenues	188,764	206,667
 Net cost of operations	\$ 3,720,631	\$ 3,274,033

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

Canadian International Development Agency
Statement of Financial Position (unaudited)
as at March 31
(in thousands of dollars)

	2010	2009
Assets		(Note 19)
Financial assets		
Accounts receivable and advances (Note 6)	\$ 3,759	\$ 3,907
Loans to developing countries and International Financial Institutions (Note 7)	137,326	142,998
Investments and advances to International Financial Institutions (Note 8)	6,149,713	6,054,552
Allowance for valuation of investments and advances to International Financial Institutions (Note 8)	(6,149,713)	(6,054,552)
Canada Investment Fund for Africa (Note 9)	91,605	90,399
Total financial assets	232,690	237,304
Non-financial assets		
Prepaid expenses	181,702	189,793
Tangible capital assets (Note 10)	6,865	3,873
Total non-financial assets	188,567	193,666
Total	421,257	430,970
Liabilities		
Accounts payable and accrued liabilities (Note 11)	865,394	570,217
Vacation pay and compensatory leave	7,921	8,386
Notes payable to International Financial Institutions (Note 12)	6,198	9,763
Accrued liability for matching funds programs (Note 13)	175,745	13,194
Employee severance benefits (Note 14b)	35,778	39,411
Other liabilities (Note 15)	1,088	1,000
Total liabilities	1,092,124	641,971
Equity of Canada	(670,867)	(211,001)
Total	\$ 421,257	\$ 430,970
<i>Contingent liabilities (Note 16)</i>		
<i>Contractual obligations (Note 17)</i>		

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

Canadian International Development Agency
Statement of Equity of Canada (unaudited)
as at March 31
(in thousands of dollars)

	<u>2010</u>	<u>2009</u>
Equity of Canada, beginning of year	\$ (211,001)	\$ (72,584)
Net cost of operations	(3,720,631)	(3,274,033)
Current year appropriations used (Note 3)	4,026,667	3,818,497
Revenue not available for spending	(16,972)	(15,928)
Change in net position in the Consolidated Revenue Fund (Note 3c)	(771,867)	(688,897)
Services provided without charge by other government departments (Note 18)	<u>22,937</u>	<u>21,944</u>
Equity of Canada, end of year	<u><u>\$ (670,867)</u></u>	<u><u>\$ (211,001)</u></u>

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

Canadian International Development Agency
Statement of Cash Flow (unaudited)
for the year ended March 31
(in thousands of dollars)

	2010	2009
Operating activities		
Cash received from:		
Interest and service fees on loans	\$ 2,334	\$ 2,280
Other revenues	2,540	4,176
	4,874	6,456
Cash paid for:		
Transfer payments	(2,746,483)	(2,646,838)
Salaries and employee benefits	(194,348)	(177,787)
Operating and maintenance	(53,594)	(73,505)
	(2,994,425)	(2,898,130)
Cash used by operating activities	(2,989,551)	(2,891,674)
Investment activities		
Net acquisitions of capital assets	(3,845)	(2,445)
Decrease in loans	24,871	24,342
Increase in investments and advances	(268,097)	(247,483)
Variation in the Canada Investment Fund for Africa	(1,206)	3,588
	(248,277)	(221,998)
Cash used for investment activities	(248,277)	(221,998)
Financing activities		
Net cash provided by Government of Canada	\$ 3,237,828	\$ 3,113,672

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

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

1. Authority and objectives

The Canadian International Development Agency (CIDA) is designated as a department for the purposes of the *Financial Administration Act* by *Order-in-Council P.C. 1968-923* of May 8, 1968. The authority for the CIDA program and related purposes is found in the *Department of Foreign Affairs and International Trade Act*, in the *Annual Appropriations Act* and in the *International Development (Financial Institutions) Assistance Act*. CIDA is the lead government organization responsible for Canada's Official Development Assistance (ODA). In addition, the Official Development Assistance Accountability Act (ODAAA) came into force on June 28, 2008. The ODAAA imposes reporting obligations on the Government.

CIDA's mandate is to manage Canada's support and resources effectively and accountably to achieve meaningful, sustainable results, and engage in policy development in Canada and internationally, enabling Canada's efforts to realize its development objectives. CIDA fulfills its mandate through six main business lines:

- "Multilateral, International and Canadian Institutions" program activities seek to influence institutional policies and practices to strengthen the ability of institutions and to maximize program effectiveness in order to enhance the capacity and effectiveness of partner institutions in achieving development goals. CIDA's engagement includes the provision of expertise and core funding, as well as its participation on decision-making and advisory committees and boards.
- "Countries of Concentration" program activities involve engaging in long-term development assistance programming in countries of concentration to enhance their capacity to achieve development goals, through expertise, dialogue and resources. Such programming involves direct contacts between CIDA and recipient countries and is developed through consultation and co-operation with partners internationally, in Canada and in these countries. It also includes various country programs, projects and development activities as well as policy dialogue.
- "Fragile States and Countries Experiencing Humanitarian Crisis" program activities involve programming development and/or humanitarian assistance in fragile states and/or countries in crisis to reduce vulnerability of crisis-affected people and restore capacity of public institutions and society, through different means: government-wide responses, using a variety of mechanisms to respond to the many specific needs and risks or, timely and effective action. In both cases, partnerships with institutional organizations offer flexibility and expertise to provide adequate responses.
- "Selected Countries and Region" program activities enhance the capacity of these countries and regions to achieve stability and/or development goals and contribute to Canada's international interests, through expertise, dialogue and resources. It can also require linkages and/or partnerships between Canadian partners and their local partners.
- "Engaging Canadian Citizens" program activities provide opportunities for Canadians to increase their awareness, deepen their understanding and engage in international development. Canadian engagement is a vital element of effective development. It enables CIDA and its partners to draw from a broad range of expertise and financial resources across the country to implement aid initiatives. It also provides an ongoing basis for commitment on the part of the Government of Canada to international development cooperation.
- "Internal Services" are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations. These groups are:

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Technology Services. Internal Services include only those activities and resources that apply across the organization and not to those provided specifically to a program.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Treasury Board accounting policies, which are consistent with Canadian generally accepted accounting principles for the public sector.

Significant accounting policies are as follows:

(a) Parliamentary appropriations

CIDA is financed by the Government of Canada through Parliamentary appropriations. Appropriations provided to CIDA do not fully align with financial reporting according to generally accepted accounting principles since appropriations are primarily based on cash flow requirements. Consequently, items recognized in the statement of operations and the statement of financial position are not necessarily the same as those provided through appropriations from Parliament. Note 3 provides a high-level reconciliation between the two bases of reporting.

(b) Net cash provided by government

CIDA operates within the Consolidated Revenue Fund (CRF), which is administered by the Receiver General for Canada. All cash received by CIDA is deposited to the CRF and all cash disbursements made by CIDA are paid from the CRF. The net cash provided by Government is the difference between all cash receipts and all cash disbursements including transactions between departments of the federal government.

(c) Change in net position in the Consolidated Revenue Fund

Represents the difference between the net cash provided by Government and appropriations used in a year, excluding the amount of non spendable revenue recorded by CIDA. It results from timing differences between when a transaction affects appropriations and when it is processed through the CRF.

(d) Revenues

Revenues are accounted for in the period in which the transaction or event that gave rise to the revenues occurred. CIDA's revenues mainly consist of foreign exchange gain on revaluation as well as interest and service fees on loans.

(e) Expenses

Expenses are recorded on the accrual basis. CIDA's expenses mainly consist of grants and contributions, operating transactions and foreign exchange loss on revaluation.

- Grants are recognized in the year in which the conditions for payment are met. In the case of grants that do not form part of an existing program, the expense is recognized when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statements.
- Contributions are recognized in the year in which the recipient has met the eligibility criteria or fulfilled the terms of a contractual transfer agreement.
- Vacation pay and compensatory leave are expensed as the benefits accrue to employees under their respective terms of employment.

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Notes to the Financial Statements (unaudited)**

- Services provided without charge by other government departments, such as accommodation, employer's contribution to the health and dental insurance plans and legal services, are recorded as operating expenses at their estimated cost.

(f) Employee future benefits

- (i) Pension benefits: Eligible employees participate in the Public Service Superannuation Plan. This defined benefit is a multi-employer pension plan administered by the Government of Canada. CIDA's contributions to the Plan are charged to expenses in the year incurred and represent the total departmental obligation to the Plan. Current legislation does not require CIDA to make contributions for any actuarial deficiencies of the Plan.
- (ii) Severance benefits: Employees are entitled to severance benefits under labour contracts or conditions of employment. These benefits are accrued as employees render the services necessary to earn them. The obligation relating to the benefits earned by employees is calculated using information derived from the results of the actuarially determined liability for employee severance benefits for the Government as a whole.

(g) Accounts receivable and advances

Accounts receivable and advances are stated at amounts expected to be ultimately realized. An allowance is taken for receivables where recovery is considered uncertain.

(h) Loans to developing countries and International Financial Institutions

Loans to developing countries and International Financial Institutions (IFI) for international development assistance are recorded at cost and are adjusted to reflect the concessionary terms of those loans made on a long-term, low interest or interest-free basis. The discount determined at the date of the issuance is amortized to revenue using a straight-line amortization. Any interest or service fees revenue is recognized with the passage of time and according to the terms of the loan agreement. However, when specific loan balances are deemed uncollectible, interest and service fees revenue ceases to be accrued on these loans. No new loans have been recorded by CIDA since April 1, 1986.

An allowance for valuation is further used to reduce the carrying value of the loans to amounts that approximate their net realizable value. The allowance is determined based on the Government's identification and evaluation of countries that have formally applied for debt relief, estimated probable losses that exist on the remaining portfolio, and changes in the economic conditions of sovereign debtors.

Any loans written off or forgiven are presented as an integral part of the Countries of Concentration expense in the Statement of Operations and distinctly under Transfer payments in the note on expenses, in the fiscal year during which the required Parliamentary authority is obtained and the government of Canada writes off or forgives the loan amounts owing to CIDA. Should subsequent recoveries arise, they are presented in the revenue for Countries of Concentration in the Statement of Operations and are highlighted in the note on revenues in the fiscal year during which the monies are received.

See Note 7 for more details.

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Notes to the Financial Statements (unaudited)**

(i) Investments and advances to International Financial Institutions (IFI)

Investments and advances to International Financial Institutions are recorded at cost.

Investments

Investments consist of subscriptions to the share capital of a number of international financial institutions and are composed of both paid-in and callable capital. Subscriptions to international organizations do not provide a return on investment, but are repayable on termination of the organization or upon CIDA's withdrawal from the organization. Paid-in capital is made through a combination of cash payments and the issuance of non-interest bearing, non-negotiable notes payable to the organization. Callable share capital is composed of resources that are not paid to the banks but act as a guarantee to allow them to borrow on international capital markets to finance their lending program.

Advances

Advances are issued to International Financial Institutions that use these funds to issue loans to developing countries at concessionary terms.

For these investments and advances to International Financial Institutions, an allowance is established based on their estimated realizable value.

See Note 8 for more details.

(j) Prepaid expenses

CIDA has the authority to make advance payments under CIDA's Terms and Conditions for contribution agreements before the expenditures are incurred. The portion of a payment which is intended to cover expenses to be incurred in a subsequent fiscal year is recorded as prepaid expenses.

(k) Tangible capital assets

All tangible capital assets having an initial cost of \$10,000 or more are recorded at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the tangible capital asset as follows:

<u>Asset Class</u>	<u>Amortization period</u>
Communication equipment	3 years
Informatics equipment	3-5 years
Computer Software	5 years
Other equipment	5 years
Vehicles	5 years
Assets under construction	Once in service, in accordance with asset type

(l) Notes payable to International Financial Institutions (IFI)

Notes payable to International Financial Institutions represent non-interest bearing, non-negotiable demand notes for share capital subscriptions and advances that are later presented for encashment according to the terms of the agreement. Amounts pertaining to notes already issued and the related future encashment obligations are presented in the Statement of Financial Position under Notes payable to International Financial Institutions, while the amounts for notes payable that will be both issued and encashed under the terms of signed agreements are presented in Note 17 on contractual obligations.

(m) Contingent liabilities

Contingent liabilities are potential liabilities that may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

an expense recorded. If the likelihood is not determinable or an amount cannot be reasonably estimated, the contingency is disclosed in the notes to the financial statements.

(n) Foreign currency transactions

Transactions involving foreign currencies are translated into Canadian dollar equivalents using rates of exchange in effect at the time of those transactions. Monetary assets and liabilities denominated in a foreign currency are translated into Canadian dollars using the rate of exchange in effect on March 31. Gains and losses resulting from foreign currency transactions are included in the Statement of Operations, and shown in Notes 4 and 5.

(o) Measurement uncertainty

The preparation of these financial statements in accordance with Treasury Board accounting policies are consistent with Canadian generally accepted accounting principles for the public sector, which requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements. At the time of preparation of these statements, management believes the estimates and assumptions to be reasonable. The most significant items where estimates are used are in determining the allowance for doubtful accounts, allowance for loans, prepaid contributions, the useful life of tangible capital assets, contingent liabilities and the liability for employee severance benefits. Actual results could significantly differ from those estimated. Management's estimates are reviewed periodically and, as adjustments become necessary, they are recorded in the financial statements in the year they become known.

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

3. Parliamentary Appropriations

CIDA receives its funding through annual Parliamentary appropriations. Items recognized in the Statement of Operations and the Statement of Financial Position in one year may be funded through Parliamentary appropriations in prior, current or future years. Accordingly, CIDA has different net results of operations for the year on a government-funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

(a) Reconciliation of net cost of operations to current year appropriations used

	2010	2009
	<i>(in thousands of dollars)</i>	
Net cost of operations	\$ 3,720,631	\$ 3,274,033
Adjustments for items affecting net cost of operations but not affecting appropriations:		
Add (Less):		
Amortization of tangible capital assets	(854)	(1,098)
Bad debts expense	(1,087)	(2,265)
Services provided without charge	(22,937)	(21,944)
Refunds of prior years expenditures	14,152	13,901
Gains on foreign exchange	170,211	162,838
(Loss) Gain on disposal of tangible capital assets	-	(23)
Other revenue	4,726	5,416
Discounts and allowance related to loans	19,199	7,522
Variation in notes payables for advances	3,565	11,522
Accrued liability for matching fund programs	(162,551)	58,898
Vacation pay and compensatory leave	465	63
Employee severance benefits	3,633	(6,331)
Other	(2,485)	(5,554)
	3,746,668	3,496,978
Adjustments for items not affecting net cost of operations but affecting appropriations:		
Add (Less):		
Capital acquisitions	3,845	2,445
Prepaid expenses	(8,091)	84,038
Advances / subscriptions to International Financial Institutions	268,097	235,036
Pakistan's debt forgiveness	16,148	-
	279,999	321,519
Current year appropriations used	\$ 4,026,667	\$ 3,818,497

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

(b) Appropriations provided and used

	2010	2009
	<i>(in thousands of dollars)</i>	
Appropriations provided		
Budgetary		
Vote 25 - Operating expenditures	\$ 230,888	\$ 232,437
Vote 30 - Grants and contributions	3,065,331	2,947,127
Vote 32c - Debt forgiveness	449,533	-
Statutory amounts	465,910	426,953
Total Budgetary	4,211,662	3,606,517
Non-Budgetary		
Vote L35 - Issuance of notes to the Fund Accounts	264,532	227,032
Statutory amounts	11,359,735	8,685,662
Total Non-Budgetary	11,624,267	8,912,694
Total appropriations provided	15,835,929	12,519,211
Less:		
Appropriations available for future years	(11,793,120)	(8,677,658)
Lapsed appropriations: Operating	(10,178)	(6,774)
Lapsed appropriations: Grants and contributions	(5,964)	(16,282)
Current year appropriations used	\$ 4,026,667	\$ 3,818,497

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

(c) Reconciliation of net cash provided by Government to current year appropriations used

	2010	2009
	<i>(in thousands of dollars)</i>	
Net cash provided by Government	\$ 3,237,828	\$ 3,113,672
Revenue not available for spending	16,972	15,928
Change in net position in the Consolidated Revenue Fund		
Variation in accounts receivable and advances	148	1,040
Variation in accounts payable and accrued liabilities	295,177	268,816
Variation in discounts, allowances related to loans, investments and advances to developing countries and international financial institutions	75,962	383,203
Other adjustments	400,580	35,838
	771,867	688,897
Current year appropriations used	\$ 4,026,667	\$ 3,818,497

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

4. Expenses

The following table presents details of expenses by category:

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of dollars)</i>	
Transfer payments		
Multilateral, International and Canadian Institutions	\$ 1,422,420	\$ 1,065,461
Fragile States and Countries Experiencing Humanitarian Crisis	985,641	822,756
Countries of Concentration	706,417	881,060
Selected Countries and Regions	345,720	248,502
Engaging Canadian Citizens	13,666	20,666
Total transfer payment expenses	<u>3,473,864</u>	<u>3,038,445</u>
Operating		
Salaries and employee benefits	195,864	202,358
Loss on foreign exchange	170,260	163,270
Professional and special services	33,547	37,793
Travel and communication	12,154	15,058
Rentals	12,080	12,088
Repair and maintenance	4,209	6,077
Communication, computer and office material	4,182	2,168
Other	1,294	80
Bad debts	1,087	2,265
Amortization of tangible capital assets	854	1,098
Total operating expenses	<u>435,531</u>	<u>442,255</u>
Total expenses	<u>\$ 3,909,395</u>	<u>\$ 3,480,700</u>

5. Revenues

The following table presents details of revenues by category:

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of dollars)</i>	
Gains on foreign exchange	\$ 170,211	\$ 162,838
Amortization of discount on loans	13,827	38,413
Other revenues	2,461	3,136
Interest and service fees on loans	2,265	2,280
Total revenues	<u>\$ 188,764</u>	<u>\$ 206,667</u>

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

6. Accounts receivable and advances

Accounts receivable and advances for CIDA consist mainly of:

- Amounts to be recovered where the recipient has not complied with the terms and conditions of the contribution agreement for which a payment has been made.
- Salaries to be recovered for CIDA's employees on secondment to another department or a private organization.

The following table presents details of accounts receivable and advances:

	2010	2009
	<i>(in thousands of dollars)</i>	
Receivables from external parties	\$ 5,342	\$ 6,662
Receivables from other Federal Government departments and agencies	1,727	2,353
Interest and service fees on loans	571	640
Accountable and standing advances	32	74
	7,672	9,729
Less: Allowance for doubtful accounts on receivables from external parties, on interest and service fees on loans	(3,913)	(5,822)
Total	\$ 3,759	\$ 3,907

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

7. Loans to developing countries and International Financial Institutions

The following table presents details of loans to developing countries and International Financial Institutions:

	2010	2009
	<i>(in thousands of dollars)</i>	
(a) 30 year term, 7 year grace period, unsecured, 3 percent interest per annum, with the final repayment in March 2005: Cuba	\$ 9,547	\$ 9,547
(b) 35 year term, 4 year grace period, unsecured, 5 percent interest per annum, semi-annual interest repayments with first principal repayment due January 2017 and final repayment in July 2026: Egypt	44,996	44,996
(c) 50 year term, 10 year grace period, unsecured, non-interest bearing, with final repayments between March 2015 and September 2035:		
African Development Bank	1,344	1,469
Algeria	5,748	6,175
Andean Development Corporation	1,688	1,813
Argentina	131	149
Bolivia	509	551
Brazil	188	209
Central American Bank for Economic Integration	574	650
Chile	735	784
Colombia	210	237
Dominican Republic	3,178	3,414
Ecuador	3,542	3,890
Guatemala	1,681	1,781
Indonesia	162,948	174,489
Malaysia	1,357	1,420
Malta	350	375
Mexico	19	22
Morocco	6,036	6,622
Myanmar (Burma)	8,306	8,306
Pakistan	431,360	447,508
Paraguay	130	160
Peru	30	34
Philippines	1,452	1,549
Sri Lanka	75,499	81,039
Thailand	16,245	17,093
Tunisia	45,289	48,584

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

(d) 50 year term, 13 year grace period, unsecured, non-interest bearing, with the final repayment in March 2023:

Algeria	16,186	17,431
Subtotal	839,278	880,297
Less:		
Unamortized discount	(533,783)	(558,563)
Subtotal	305,495	321,734
Less:		
Allowance for valuation	(168,169)	(178,736)
Total	\$ 137,326	\$ 142,998

The grace period refers to interval from date of issuance of the loan to first repayment of loan principal.

Final repayment on Cuba loan was due on March 2005. In default of payment, the country has been in arrears since that date. No repayment is anticipated. The allowance for valuation of loans is adjusted to reflect this situation.

The loan with the Philippines was issued in Canadian dollars. However, it is reimbursable in Philippine pesos in equivalent Canadian dollar semi-annual installments of \$48,580 until September 2024. The installments are converted to Philippine pesos using the foreign exchange rate in effect at the time of repayment.

In 2006-2007, the Government of Canada, as represented by the Canadian International Development Agency, entered into an agreement with the Government of Pakistan to forgive its outstanding \$447,500,000 loan. In order to expire its debt obligation, the Government of Pakistan will be required to make education sector investments over an estimated period of five years that are equivalent to the current present value of its debt of \$132,600,000. According to the agreement, Pakistan's debt is to be written down proportionally by the Canadian International Development Agency as the investments are made. In 2009-2010, the Government of Pakistan invested in its education sector program. This investment permitted CIDA to forgive \$16,148,000 of the Government of Pakistan's debt.

**Canadian International Development Agency
Notes to the Financial Statements (unaudited)**

8. Investments and advances to International Financial Institutions

The following table presents details of investments and advances to International Financial Institutions:

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of dollars)</i>	
Investments		
African Development Bank	\$ 108,977	\$ 120,055
Asian Development Bank	161,242	192,608
Caribbean Development Bank	20,031	23,364
Inter-American Development Bank	182,984	226,406
	<u>473,234</u>	<u>562,433</u>
Advances		
African Development Fund	2,116,190	2,033,803
Asian Development Bank-Special	27,027	27,027
Asian Development Fund	2,019,744	1,972,054
Caribbean Development Bank- Agricultural Development Fund	2,000	2,000
Caribbean Development Bank- Commonwealth Caribbean Regional	4,063	5,045
Caribbean Development Bank-Special	231,969	217,465
Global Environment Facility Trust Fund	505,320	467,013
Inter-American Development Bank- Fund for Special Operations	338,740	382,283
Multilateral Investment Fund	39,807	33,490
International Bank for Reconstruction and Development	20,316	25,226
International Fund for Agriculture Development	279,383	229,383
International Monetary Fund	11,143	13,836
Montreal Protocol Mutilateral Fund	80,777	83,494
	<u>5,676,479</u>	<u>5,492,119</u>
Subtotal investments and advances	6,149,713	6,054,552
Less:		
Allowance for valuation	<u>(6,149,713)</u>	<u>(6,054,552)</u>
Total	<u>\$ -</u>	<u>\$ -</u>

The allowance for valuation reduces the net realizable value of the investments and advances to International Financial Institutions to zero, as it is not expected that CIDA will recover these investments and advances in the future.

**Canadian International Development Agency
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9. Canada Investment Fund for Africa (CIFA)

The CIFA is a joint public-private sector initiative designed to provide risk capital for private investments in Africa that generate growth. The CIFA is a direct response to the New Partnership for Africa's Development (NEPAD) and the G8 Africa Action Plan. The main objectives of the CIFA are to optimize public-private investment in the Fund, to confer a beneficial development impact on Africa by way of increased foreign direct investment and to optimize the beneficial impact of the Fund's activities on Canadian interests.

The Government of Canada is a limited partner in the CIFA and its commitment towards the Fund was subject to matching funds of other investors and was to be equal to the lesser of: (i) \$100 million or (ii) the aggregated commitments of all other limited partners of the partnership. The investment period in the CIFA ended January 1, 2009. From there on, and until the term of the partnership is reached on December 31, 2013, the Canadian International Development Agency will only receive income and returns of capital. Since its inception, the Canadian International Development Agency received capital reimbursement from CIFA amounting to \$11.7 million and investment income of \$4.9 million.

The following table presents details of the Canada Investment Fund for Africa:
(The CIFA is presented at cost)

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of dollars)</i>	
CIFA opening balance	\$ 90,399	\$ 94,973
Returns of capital	(2,107)	(4,574)
Capitalized management fees	3,313	-
CIFA closing balance	<u>\$ 91,605</u>	<u>\$ 90,399</u>

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10. Tangible capital assets

(in thousands of dollars)

Capital asset class	Cost				Accumulated amortization				Net book value	
	Opening balance	Acquisitions	Disposals & write-offs	Closing balance	Opening balance	Amortization	Disposals & write-offs	Closing balance	2010	2009
Communication equipment	845	-	-	845	713	77	-	790	55	132
Informatic equipment	11,048	1,058	-	12,106	9,677	691	-	10,368	1,738	1,371
Computer software	51	141	-	192	38	13	-	51	141	13
Other equipment	1,586	-	-	1,586	1,467	48	-	1,515	71	118
Vehicles	179	-	-	179	79	25	-	104	75	100
Assets under construction	2,139	2,646	-	4,785	-	-	-	-	4,785	2,138
Total	15,848	3,845	-	19,693	11,974	854	-	12,828	6,865	3,873

The amortization expense for the year ended on March 31, 2010 is \$854,000 (\$1,098,000 in 2009).

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11. Accounts payable and accrued liabilities

The following table presents details of accounts payable and accrued liabilities:

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of dollars)</i>	
Accounts payable:		
Multilateral Organizations	\$ 529,857	\$ 277,217
Non-Government and Private Sector Organizations	178,519	136,105
Foreign Governments	103,496	109,900
Para-Governmental Organizations	16,408	821
Other Government Departments	5,162	5,572
Individuals	1,460	1,453
Employees	205	114
	<u>835,107</u>	<u>531,182</u>
Accrued liabilities	21,584	21,540
Contractor's holdback	8,671	12,591
Accrued salaries	32	4,904
	<u>30,287</u>	<u>39,035</u>
Total	<u>\$ 865,394</u>	<u>\$ 570,217</u>

12. Notes payable to International Financial Institutions

The following table presents details of notes payable to International Financial Institutions:

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of dollars)</i>	
Advances		
Global Environment Facility Trust Fund	<u>6,198</u>	<u>9,763</u>
Total	<u>\$ 6,198</u>	<u>\$ 9,763</u>

Advances

During the year, note issuances amounted to \$264,532,000 (\$227,957,000 in 2009) and note encashment amounted to \$268,097,000 (\$239,479,000 in 2009) for a net decrease of notes payables of \$3,565,000.

**Canadian International Development Agency
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13. Accrued liability for matching funds programs

The following table presents details of matching funds by initiative:

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of dollars)</i>	
Haïti	\$ 162,893	\$ -
Tsunami	10,468	10,631
Pakistan	<u>2,384</u>	<u>2,563</u>
Total	<u>\$ 175,745</u>	<u>\$ 13,194</u>

14. Employee Benefits

(a) Pension benefits: CIDA's employees participate in the Public Service Pension Plan, which is sponsored and administered by the Government of Canada. Pension benefits accrue up to a maximum period of 35 years at a rate of 2 percent per year of pensionable service, times the average of the best five consecutive years of earnings. The benefits are integrated with the Canada/Quebec Pension Plans benefits and they are indexed to inflation.

Both the employees and the Agency contribute to the cost of the Plan. The 2009-2010 expense amounts to \$19,889,000 (\$18,089,000 in 2008-2009), which represents approximately 1.9 times (2.0 in 2008-2009) the contributions by employees.

CIDA's responsibility with regard to the Plan is limited to its contributions. Actuarial surpluses or deficiencies are recognized in the financial statements of the Government of Canada, as the Plan's sponsor.

(b) Severance benefits: CIDA provides severance benefits to its employees based on eligibility, years of service and final salary. These severance benefits are not pre-funded. Benefits will be paid from future appropriations. Information about the severance benefits, measured as at March 31, is as follows:

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of dollars)</i>	
Accrued benefit obligation, beginning of year	\$ 39,411	\$ 33,081
Expense for the year	(161)	9,279
Benefits paid during the year	<u>(3,472)</u>	<u>(2,949)</u>
Accrued benefit obligation, end of year	<u>\$ 35,778</u>	<u>\$ 39,411</u>

**Canadian International Development Agency
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15. Other liabilities

Other liabilities consist of funds received from external organizations to carry out specific aid projects and to be administered by CIDA on their behalf.

In 2009-2010, the liability represents contribution received from the Government of Denmark to support water management programs in Nicaragua and from the Governments of the United Kingdom and the Netherlands for various projects in the education sector in Malawi and in Nicaragua.

Information about the other liabilities, measured as at March 31, is as follows:

	<u>2010</u>	<u>2009</u>
	<i>(in thousands of dollars)</i>	
Other liabilities, beginning of year	\$ 1,000	\$ 1,840
Amounts received during the year	11,968	14,641
Amounts disbursed during the year	<u>(11,880)</u>	<u>(15,481)</u>
Other liabilities, end of year	<u>\$ 1,088</u>	<u>\$ 1,000</u>

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16. Contingent liabilities

(a) Callable share capital:

CIDA is liable for callable share capital in certain international organizations that could require future payments to those organizations. Callable share capital is composed of resources that are not paid to the organizations but act as a guarantee to allow them to borrow on international capital markets to finance their lending program. Callable share capital, which has never been drawn on by the organizations, would only be utilized in extreme circumstances to repay unrecoverable loans, should the organization's reserves not be sufficient. During the year, CIDA has adopted the legal measures necessary to give effect to the requirements of the Resolution of the Board of Governors of the Inter-American Development Bank to increase its authorized Ordinary Capital Stock and subscription by US\$4.0 billion. As at March 31, 2010, the callable share capital is valued at \$11.4 billion (\$8.7 billion in 2009) and no provision was recorded for this amount.

Also, different methods are used by CIDA and by the Asian Development Bank (ADB) to calculate the value of CIDA's callable shares for disclosure as a contingent liability. CIDA uses the US foreign exchange rate at the time of the investments and revalues its shares at the end of every fiscal year using the year-end US exchange rate. On the basis of this method, CIDA's valuation of its ADB callable shares is \$2,154,411,000 as at March 31, 2010. However, ADB decided to use the Special Drawing Right (SDR) for purposes of denominating its capital in lieu of the US dollar. The value of the SDR against the US and Canadian dollar exchange rates at the time of inception was used to establish the par value of SDR. This par value of CIDA's callable shares is then translated using the latest exchange rate of SDR against the US and Canadian dollar exchange rates. Valuation of these callable shares on this basis amounts to \$2,654,030,000 representing a difference of \$499,619,000 with CIDA's own valuation as at March 31, 2010.

(b) Litigation cases:

CIDA is a defendant in certain pending and threatened litigation cases which arose in the normal course of operations. Legal proceedings for claims totalling approximately \$1,026,000 (\$1,100,000 in 2009) were still pending as at March 31, 2010. Some of these potential liabilities may become actual liabilities when one or more future events occur or fail to occur. To the extent that the future event is likely to occur or fail to occur, and a reasonable estimate of the loss can be made, an estimated liability is accrued and an expense recorded in the financial statements.

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17. Contractual obligations

The nature of CIDA's activities results in multi-year contracts and obligations whereby CIDA will be obligated to make future payments when the services/goods are received. Significant contractual obligations that can be reasonably estimated are summarized as follows:

(in thousands of dollars)

	2011	2012	2013	2014	2015 and thereafter	Total
Transfer payments	\$1,585,978	\$ 978,490	\$ 623,781	\$ 340,340	\$ 199,368	\$3,727,957
Professional services	7,704	137	20	-	-	7,861
Operating leases	206	184	126	32	23	571
Encashment of notes by International Financial Institutions	214,845	77,775	65,275	-	-	357,895
Total	\$1,808,733	\$1,056,586	\$ 689,202	\$ 340,372	\$ 199,391	\$4,094,284

**Canadian International Development Agency
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18. Related party transactions

CIDA is related as a result of common ownership to all Government of Canada departments, agencies and Crown corporations. CIDA enters into transactions with these entities in the normal course of business and on normal trade terms. Throughout the year, the Agency received services that were obtained without charge from other Government departments as presented in part (a).

(a) Services received without charge:

During the year, CIDA received without charge from other departments the following: accommodation, administrative services pertaining to workers' compensation claims, legal fees and the employer's contribution to the health and dental insurance plans. These services without charge have been recognized in CIDA's Statement of Operations as follows:

	2010	2009
	<i>(in thousands of dollars)</i>	
Employer's contribution to the health and dental insurance plans	\$ 13,513	\$ 12,632
Accommodation	8,736	8,657
Legal services	620	562
Administrative charges pertaining to workers' compensation claims	68	93
Total	\$ 22,937	\$ 21,944

The Government has structured some of its administrative activities for efficiency and cost-effectiveness purposes so that one department performs these activities on behalf of all, without charge. The costs of some of these services, notably the payroll and cheque issuance services provided by Public Works and Government Services Canada, are not included as an expense in CIDA's Statement of Operations.

(b) Payables and receivables outstanding at year-end with related parties:

	2010	2009
	<i>(in thousands of dollars)</i>	
Accounts receivable with other government departments	\$ 1,727	\$ 2,353
Accounts payable with other government departments	\$ 5,162	\$ 5,572

19. Comparative information

Where applicable, comparative figures have been reclassified to conform to the current year's presentation.