

**CUTS INTERNATIONAL**

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**Independent Auditors' Report  
Financial Statements  
March 31, 2014**

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## **Report of the independent auditor to the General Assembly of CUTS International**

As independent auditor, we have audited the accompanying financial statements of **CUTS INTERNATIONAL**, which comprise the balance sheet, statement of income and expenditure and notes for the year ended March 31, 2014.

### *Executive Committee's Responsibility for the Financial Statements*

The Executive Committee is responsible for the preparation of the financial statements in accordance with the requirements of the articles of Association and with Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Executive Committee is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 the internal control system relevant to the entity's preparation 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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.

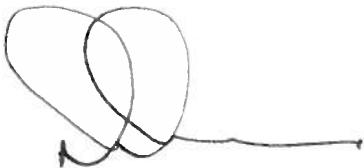
*Opinion*

In our opinion, the financial report is prepared, in all material respects, in accordance with CUTS International's accounting records and Sida's requirements for reporting.

*Basis of accounting*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report is prepared to provide information to the donor, The Swedish International Development Cooperation Agency. As a result, the financial report may not be suitable for another purpose.

Geneva, June 15, 2014

**MAZARS LTD**

Daniel Dumas  
*Licensed Audit Expert*  
(Auditor in Charge)



Sébastien Gianelli  
*Licensed Audit Expert*

**Enclosure :**

Financial report on the project PACT EAC April 1, 2013 to March 31, 2014

**CUTS INTERNATIONAL****BALANCE SHEET AT MARCH 31, 2014**

	Notes	March 31, 2014 CHF	March 31, 2013 CHF
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		1'024'229.40	781'924.76
Debtors		7'042.50	5'806.65
		<u>1'031'271.90</u>	<u>787'731.41</u>
<b>Fixed assets</b>			
Fixed assets		5'648.00	7'160.00
		<u>5'648.00</u>	<u>7'160.00</u>
<b>TOTAL ASSETS</b>		<u><u>1'036'919.90</u></u>	<u><u>794'891.41</u></u>
<b>LIABILITIES</b>			
<b>Short term liabilities</b>			
Due charges		2'500.00	4'600.00
		<u>2'500.00</u>	<u>4'600.00</u>
<b>Grants received in advance</b>			
Pact project	6	1'002'307.21	772'861.16
EIF project		7'145.59	-
		<u>1'009'452.80</u>	<u>772'861.16</u>
<b>General Reserve</b>			
General Reserve (undesignated)	7	17'430.25	24'185.34
Net profit/deficit for the period		7'536.85	(6'755.09)
		<u>24'967.10</u>	<u>17'430.25</u>
<b>TOTAL LIABILITIES</b>		<u><u>1'036'919.90</u></u>	<u><u>794'891.41</u></u>

**CUTS INTERNATIONAL**

**STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED MARCH 31, 2014**

	Notes	2014/2013 CHF	2013/2012 CHF
<b>INCOME</b>			
Grants			
Designated	4	2'324'232.15	2'056'227.41
% Received in advance	6	(1'009'452.80)	(772'861.16)
Extraordinary income		-	864.20
Other Income		8'799.66	4'045.90
Interest received		171.80	259.75
<b>Total income</b>		<u>1'323'750.81</u>	<u>1'288'536.10</u>
 <b>EXPENDITURE</b>			
Salaries & employer's contribution		598'718.40	612'626.60
Direct charges on projects	5	650'428.81	614'069.10
Office costs			
Rent		44'068.82	43'883.46
Electricity		769.35	741.00
Phone/fax/internet		3'091.85	2'381.80
Office supplies		1'853.59	1'529.55
Postage		535.40	365.00
Cleaning and pantry supplies		2'811.00	2'041.45
Printer		3'520.95	4'049.15
Computer maintenance / web		1'219.60	2'586.90
Office insurance		1'486.00	296.80
Audit & accounting		2'625.00	2'500.00
Bank charges		650.20	605.30
Misc. Expenses		1'140.70	698.20
		<u>63'772.46</u>	<u>61'678.61</u>
Seminars & Workshops			
Travels		1'782.35	4'331.64
Meetings		-	583.20
		<u>1'782.35</u>	<u>4'914.84</u>
Depreciation fixed assets		1'512.00	1'923.00
Currency fluctuation gain/loss		-	79.10
<b>Total expenditure</b>		<u>1'316'214.02</u>	<u>1'295'291.25</u>
<b>NET PROFIT/DEFICIT FOR THE PERIOD</b>		<u>7'536.85</u>	<u>(6'755.09)</u>

**Proposed allocation of excess income over expenditure**

		2014/2013 CHF	2013/2012 CHF
Net profit/deficit for the period		7'536.85	(6'755.09)
Allocation to General reserve	7	(7'536.85)	6'755.09
<b>Net profit carried forward</b>		<u>-</u>	<u>-</u>

## **CUTS INTERNATIONAL**

### **NOTES AT MARCH 31, 2014**

#### **1. Organisation and activity**

CUTS International (hereafter CUTS) is a not-for-profit, international, non-governmental organisation established in the Canton of Geneva, Switzerland in 2008.

CUTS is constituted in accordance with article 60 ss of the Swiss Civil Code and is not submitted to supervision by Swiss governmental bodies.

The goal of CUTS is to contribute to the achievement of development and poverty reduction through better policies governing trade, economic, environmental, social, governance and political dimensions without any order of preference. The objectives of CUTS shall be to :

- a) Contribute to a better understanding of development concerns in economic policy;
- b) Enable participation in trade and regulatory policy making, particularly in Geneva and with special attention to the needs of those who are formally excluded or excluded de-facto, for reasons of funding, geography or political conditions, including NGOs, other civil society organisations, developing country participants, and other key actors;
- c) Stimulate the interest of NGOs and other key actors in Geneva and other places in trade, development, governance, regulation and poverty reduction; and
- d) Bridge the gap in information and communication between the NGOs and trade policy communities, including missions in Geneva and ministries in national capitals.

#### **2. Significant accounting policies**

The accounting policies applied for items that are judged material or critical in determining the results for the year and in stating the financial position of CUTS International at year-end are as follows:

##### *2a Basis of preparation*

The financial statements of CUTS International are presented in accordance with Swiss Law and the articles of association. Accounts are held on a cash basis.

##### *2b Functional currency*

CUTS functional currency is CHF, representing the majority of its operations.

##### *2c Fixed assets*

Equipment of an individual value of over CHF 1'000 are accounted for as assets.

## 2d Deferral of income

Out of the designated grants received, the funds used during the year are accounted for as income and the rest is deferred to the following year. The income in relation to undesignated grants from last year was not deferred.

## 2e Conversion of foreign currencies

Assets and liabilities held in currencies other than Swiss francs are translated at rates of exchange prevailing at year-end; income and expenditure are translated at the average rate of exchange on the day of the transaction.

All exchange differences are included in the determination of net (deficit) surplus.

## 2f Allocation of charges to projects

Human resources costs are allocated to projects on the basis of the performed activities related to the project.

Overhead costs are allocated to projects on the basis of the budgeted amounts for the projects.

## 3. Disclosures

As of March 31, 2014 there are no amount owed to pension fund by the association.

### *Restricted assets*

The association holds certain bank accounts which are designated to hold funds to be used for specific projects. The assets booked on these bank accounts are therefore not freely available to be used by the association. As of the March 31, 2014, the assets involved are CHF 980'146 in relation to the PACT EAC project.

	2014/13 CHF	2013/12 CHF
<b>4. Donors' financial contributions</b>		
<b>Designated</b>		
Grants FEAD	-	74'466.93
Grants project PACT	2'186'261.15	1'956'760.48
French Translation of Negotiators' Handbook	34'471.00	-
EIF	103'500.00	-
SESTI - CUTS Jaipur	-	25'000.00
<b>Total donors' financial contributions</b>	<b>2'324'232.15</b>	<b>2'056'227.41</b>

## 5. Project costs

PROJECTS COSTS	Direct expenses	Allocated human resources costs	Allocated overhead costs	Total 2013	Total 2012	Total 2011
Project FEAD	-	-	-	-	77'552.70	469'215.08
Project PACT EAC	590'317.84	517'023.81	76'612.29	1'183'953.94	1'183'899.35	262'759.45
French Translation of Negotiators' Handbook	21'676.46	9'323.54	3'471.00	34'471.00	-	-
EIF	38'434.51	51'919.90	6'000.00	96'354.41	-	-
SESTI - CUTS Jaipur	-	-	-	-	-	-
<b>Total</b>	<b>650'428.81</b>	<b>578'267.25</b>	<b>86'083.29</b>	<b>1'314'779.35</b>	<b>1'261'452.05</b>	<b>731'974.53</b>

## 6. Grants in advance

	Grants received	Direct and indirect costs allocated to the project	Grants in advance
Grants project PACT EAC	2'186'261.15	1'183'953.94	1'002'307.21
French Translation of Negotiators' Handbook	34'471.00	34'471.00	-
EIF	103'500.00	96'354.41	7'145.59
<b>TOTAL</b>	<b>2'324'232.15</b>		<b>1'009'452.80</b>

## 7. General reserve

The General reserve fund has been established by the General Assembly to ensure that CUTS ongoing operations and projects would not be affected by a temporary shortfall in revenue which could have an impact on the ability of the association to fulfil its obligations, such as the payment of salaries to its employees.

## 8. Risk Assessment

CUTS recognises that risk management is an essential part of its overall management. The management regularly carries out risk assessments related to funding sustainability, range of activities, administrative issues etc in order to identify the principal risks, potential impact on the finances of CUTS and the measures to address them. This assessment is shared with the Executive Committee and the General Assembly through briefing by the Director in their regular meetings particularly when discussing budget and work plans. EC and GA also debate the risk assessment and offer suggestions and directions to the management regarding appropriate measures to address these risks.