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To the Board of the Association of

International Co-operative Alliance

Geneva

Report of the statutory auditor on the financial statements for the year 2013

(for year ended 31.12.2013)

16 May 2014
12232/21506091/12-4



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**Report of the statutory auditor
to the Board of the Association of
International Co-operative Alliance, Geneva**

As statutory auditor, we have audited the accompanying financial statements of International Co-operative Alliance, which comprise the balance sheet, the statement of income and expenses, the statement of changes in funds and reserves and the notes for the year ended 31 December 2013.

Board of Association' Responsibility

The Board is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the articles of association. 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 Board 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 conducted 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 the 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 statements for the year ended 31 December 2013 comply with Swiss law and the articles of association.



Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 of Code of Obligations (CO)) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of the Association.

We recommend that the financial statements submitted to you be approved.

Geneva, 16 May 2014

BDO Ltd

Nigel Le Masurier
Licensed Audit Expert

Roland Loup
Licensed Audit Expert
(Auditor in Charge)

Enclosures

Financial statements (balance sheet, statement of income and expenses, statement of changes in funds and reserves and notes)

INTERNATIONAL CO-OPERATIVE ALLIANCE, GENEVA

BALANCE SHEET

December 31, 2013

	Notes	31.12.2013	31.12.2012
		CHF	CHF
<u>Assets</u>			
<i>Current assets</i>			
Cash and cash equivalents	3	3'562'056	3'746'936
Accounts receivable and advances		747'515	328'835
Prepayments		40'332	26'659
<i>Total current assets</i>		<u>4'349'904</u>	<u>4'102'429</u>
<i>Non current assets</i>			
Property, plant and equipment, net		21'671	21'070
Deposits and guarantees	4	15'579	15'667
Participations	5	8'905	9'403
<i>Total non current assets</i>		<u>46'155</u>	<u>46'140</u>
<i>Total assets</i>		<u>4'396'058</u> =====	<u>4'148'570</u> =====
<u>Liabilities, Funds and Reserves</u>			
<i>Liabilities</i>			
Membership organisation creditors		451'849	541'272
Accounts payable		189'129	151'603
Accruals and deferrals		532'763	692'371
Provisions	7	638'828	610'168
Deferred development support		619'001	661'001
Deferred membership fees		129'749	3'879
<i>Total liabilities</i>		<u>2'561'318</u>	<u>2'660'294</u>
<i>Funds and reserves</i>			
Accumulated surplus		1'481'321	1'331'659
Net surplus / (deficit) for the year		353'419	156'617
<i>Total funds and reserves</i>		<u>1'834'740</u>	<u>1'488'276</u>
<i>Total liabilities, funds and reserves</i>		<u>4'396'058</u> =====	<u>4'148'570</u> =====

See accompanying notes.

INTERNATIONAL CO-OPERATIVE ALLIANCE

STATEMENT OF INCOME AND EXPENSES

For the year ended December 31, 2013

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
		CHF	CHF
<u>Income</u>			
Subscriptions	8	2'720'401	2'813'162
Meeting revenues		776'608	270'894
Administrative contributions		52'400	86'225
Expense cover		95'395	127'289
Financial income		32'835	10'082
Currency gains		38'269	66'288
Special financial contributions & donations	6	652'553	643'028
Other income		78'324	42'568
Total Income		4'446'785	4'059'536
<u>Expenses</u>			
Personnel expenses		-1'275'048	-1'138'137
Travel expenses		-307'141	-234'333
Premises & general office expenses		-208'392	-158'469
IT & telecom		-223'373	-146'043
External services		-1'012'338	-867'701
Meeting expenses		-250'249	-478'480
Financial expenses		-14'612	-10'954
Depreciation & amortization		-3'587	-13'491
Bad debt provision allocation		15'947	-74'204
Exchange gains / (losses)		0	0
Other expenses	8	-814'574	-765'264
Total Expenses		-4'093'366	-3'887'075
Surplus from operations		353'419	172'461
		=====	=====
Development activity			
Development funds		944'307	1'052'011
Projects support		-944'307	-1'067'855
Result from development activity		0	-15'844
Net surplus / (deficit) for the year, before allocation		353'419	156'617
		=====	=====

See accompanying notes.

INTERNATIONAL CO-OPERATIVE ALLIANCE

STATEMENT OF CHANGES IN FUNDS AND RESERVES (all expressed in CHF)

For the year ended December 31, 2013

	Accumulated surplus	Net surplus / (deficit) for the year	Total Funds and Reserves
Balances at January 1, 2012	1'193'352	138'307	1'331'659
Reversal previous year net surplus	138'307	(138'307)	-
Reserve distribution	-	-	-
Net surplus for the year	-	156'617	156'617
Cumulative exchange difference	-	-	-
Use of special fund	-	-	-
Balances at December 31, 2012	1'331'659	156'617	1'488'275
Singapore Office closed at December 31, 2012	(6'954)	-	(6'954)
Reversal previous year net surplus	156'617	(156'617)	-
Reserve distribution	-	-	-
Net profit for the year	-	353'419	353'419
Balances at December 31, 2013	1'481'321	353'419	1'834'740

See accompanying notes.

INTERNATIONAL CO-OPERATIVE ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

ICA Belgium, an international non-profit association under Belgian law, was created in 2013. The purpose of ICA Belgium is to take over the activity of ICA Geneva. Since the 1st of September 2013, main personnel and operational expenses have been transferred to ICA Belgium. Should ICA have borne all expenses for the year 2013, the result of ICA would be a loss.

Note 2 - Summary of significant accounting policies

The accounting policies have been consistently applied by the ICA.

a. Accounting convention

These financial statements have been prepared in accordance with Swiss law.

b. Development funds

The funds received from ICA development partners are deferred for accounting and reporting purposes, as deferred development support and charged to the income and expenses development accounts over the life of the underlying project.

c. Foreign currency translation

The accounting records of the ICA are maintained in Swiss Francs (CHF). All transactions in foreign currencies are translated into Swiss Francs at the rate prevailing at the date of the transaction. Monetary assets and liabilities in other currencies remaining at the balance sheet date are translated at the appropriate year end rate. Any differences arising on the year-end translation are recognised in the statement of revenues and expenses.

The assets and liabilities of Regional Offices are translated at the rate of exchange ruling at the balance sheet date. The statement of revenues and expenses of Regional Offices are translated at weighted average exchange rates for the year. The exchange differences arising on the year-end translation are taken directly in the statement of revenues and expenses.

d. Revenue recognition

Financial incomes are recorded on an accrual basis according to membership subscriptions revenues planned for the Year. A depreciation of 100% was built on previous year membership debtors or older than one Year and a provision of 50% was built on current year membership debtors.

Other income including revenues from publications and services are recorded as publications are delivered and when services are provided. All expenses are accounted for on an accrual basis.

INTERNATIONAL CO-OPERATIVE ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

Receipts of funds donated for specific purposes are not reported as revenues until the resources are expensed for the purpose specified. Until then, they are reported as deferred development support.

e. Property, plant and equipment

Property, plant and equipment acquired by the ICA are capitalised at cost and depreciated according to the straight-line method over the estimated useful life of the asset as follows:

Office equipment and furniture	3 to 4 years
Motor vehicles	3 years

Property, plant and equipment acquired using donors' funds to support specific projects are fully depreciated during the year of acquisition. The depreciation charge is included as part of the development projects support.

f. Intangible assets

Intangible assets are stated at cost and amortized using the straight-line method over the estimated period during which benefits are expected to be received as follows:

Software	3 to 4 years
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Intangible assets acquired using donors' funds to support specific projects are fully depreciated during the year of acquisition. The depreciation charge is included as part of the development projects support.

g. Pension plans

Certain officers and employees of the ICA are covered by several separate contributory pension plans or their equivalent in the Regional Offices. The contributions are calculated according to the respective pension plan regulations and local laws. The ICA pension contributions in the year ended December 31, 2013 amounted to CHF 151'528 (2012 CHF 174'253), and are expensed as such contributions become due.

h. Income tax

In Switzerland, the ICA has the status of an association organised as a corporate body regulated by the Swiss Civil Code in Articles 60-79 and, as such, is not subject to Swiss income tax.

Under the terms of an agreement between the ICA and the Governments of Kenya, the African regional office is exempt from tax. Due to its non-profit making activities in India and Costa Rica, the ICA is not subject to local taxation in those countries.

i. Contributed facilities and services

Facilities and services that are provided by members or third parties which can be accurately valued are recorded as revenue, whereas those that cannot be accurately valued are not included in the financial statements.

INTERNATIONAL CO-OPERATIVE ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

Note 3 - Cash and cash equivalents

Cash and cash equivalents consists of cash in hand, bank current accounts and short-term deposits. The ICA considers cash and all liquid investments with an initial maturity of three months or less to be cash equivalents.

The restricted cash portion relates to the gratuities/pension accrued and the funds the ICA manages on account of the Sectoral organisations and the Thematic committees.

Note 3 : cash & equivalents

	31.12.2013	31.12.2012
	CHF	CHF
Cash in hand and current accounts	2'537'547	2'885'437
Restricted cash	840'130	793'737
Short-term deposits	184'380	67'762
	3'562'056	3'746'936
	=====	=====

Note 4 - Deposits and guarantees

Deposits and guarantees represent rental deposits made in relation to premises lease engagements, courier services and certain employees' accommodation.

Note 5 - Participations

During the year 2009, the ICA took participation and invested the equivalent of USD 10,000, through its regional office for the Americas, in the University Fundepros Alma Mater in Costa Rica owned by the Consorcio Grupo Empresarial Cooperativo de Servicios Educativos R.L. (GECSE R.L.) The ICA has one seat in the Board of GECSE R.L.

On 1 August 2012, the ICA acquired all outstanding shares of The Midcounties Co-Operative Domains Limited, a company incorporated and registered in England and Wales, which provides the technical infrastructure and ownership database for the top level internet domain .coop. Upon acquisition, the name of the company was changed to ICA Support Services. The financial activity of this company is not consolidated into the ICA financial statements. The acquisition cost of the shares is shown as CHF 1.50 on the ICA Balance Sheet.

INTERNATIONAL CO-OPERATIVE ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

Also on 1 August 2012, the ICA established a new limited company incorporated and registered in England and Wales, Domains.Coop, for which the ICA is the sole shareholder. On 1 August 2012, Domains.coop acquired as a going concern from The Midcounties Co-operative Limited its registrar business relating to the .coop domain. The financial activity of this company is not consolidated into the ICA financial statements. The acquisition cost of the business is shown as CHF 1.50 on the ICA Balance Sheet.

Note 6 - Special financial contributions & donations

Certain members of the ICA made voluntarily financial contributions above their membership subscriptions fees. These contributions are not refundable and classified as "special financial contributions and donations" in the statement of income and expenses.

Note 7 – Provisions

	31.12.2012	Additions	Utilization	31.12.2013
	CHF	CHF	CHF	CHF
Africa Endowment Fund	191'433	91'685	-	283'118
Disaster Fund	337'499	-	(97'065)	240'434
Fund for Responsible & Social Tourism	70'897	489	-	71'386
IYC-International Year Cooperatives	-	-	-	-
Other provisions	10'339	33'551	-	43'890
	<u>610'168</u>	<u>125'725</u>	<u>(97'065)</u>	<u>638'828</u>
	=====	=====	=====	=====

The ICA mobilised its members and partners to provide relief and reconstruction assistance to co-operators in Haiti following the devastating earthquake of 12 January 2010 and again following the earthquake and tsunami in Japan on 11 March 2011. A total of CHF 240'434 was accumulated in the Disaster Fund as at December 31, 2013 (CHF 337'499 in 2012).

The Africa Endowment Fund was established with the objective to provide and guarantee greater financial sustainability and autonomy of ICA Africa Regional Office. An amount of CHF 283'118 has been accumulated since June 2010.

In 2010 the ICA established a fund to support activities for the United Nations International Year of Co-operatives 2012. In 2011, CHF 310,506 was contributed to the Fund (CHF 1'875 in 2010). CHF 187,980 was expended from the Fund in 2011. In 2012, the remaining Fund CHF 124'401 was spent for this Project. A further CHF 330,415 was raised and spent in 2012 for this purpose. In 2013, no further amounts have been collected for IYC fund project.

INTERNATIONAL CO-OPERATIVE ALLIANCE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

Note 8 – Membership subscription fees and allocation to Sectoral organisations

The new subscription formula in place since 1st January 2009 is global and encompasses all membership types. Out of the membership subscription fees, an amount of CHF 314'593 (CHF 264'893 in 2012) was allocated to the Sectoral Organisations to compensate for the disruption of the previous sectoral membership fees. Consequently, the former "sectoral" members of ICA are now treated in the same way as ordinary members.

ICA redistributes a portion of subscriptions received from members in Europe to Cooperatives Europe ASBL, which serves as the European region of the ICA. This redistribution (CHF 448'886) is recorded in other expenses.

Note 9 - Commitments

At December 31, 2013, ICA had no commitments with respect to rental agreements.

Note 10 – Risks analysis and internal control system

The Association performed a risk assessment, under the supervision and the responsibility of the Board of the Association.

The Management of the Association verified in 2011 that the risk assessment and the associated internal control system were still valid for 2011.

On 21 June 2012, the Audit & Risk Committee validated the Internal Control System in place. The Committee again validated the appropriateness of the risk assessment and the internal control system on 25 March 2013.

Note 11 – Post closing events

ICA Geneva will be dissolved in 2014, in accordance with its rules enacted 1st of January 2009 (art. 16).