

## **INDEPENDENT AUDITORS' REPORT**

To the Inter-American Board of Agriculture  
of the Inter-American Institute for Cooperation  
on Agriculture (IICA):

We have audited the accompanying balance sheets of the Inter-American Institute for Cooperation on Agriculture (IICA) as of December 31, 2002 and 2001 and the related statements of activities of unrestricted net assets, changes in net assets, and of cash flows for the years then ended. These financial statements are the responsibility of the management of IICA. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph, we conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management of IICA, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As of December 31, 2002, the reconciliations of nine bank accounts of IICA–Brazil disclose reconciling items overdue for more than 90 days, for which ultimate analysis and resolution were in process as of that date. These overdue items consist primarily of credits of US\$599,198 and debits of US\$214,429 not corresponded by the Bank. Further, other reconciling items were recorded by IICA as a receivable (US\$354,212) or as a payable (US\$374,222) as of December 31, 2002. The reconciling items recorded in this manner were also subject to further analysis and resolution as of that date. We were unable to satisfy ourselves regarding these transactions and balances through alternate auditing procedures.

The financial statements of IICA have been prepared in conformity with generally accepted accounting principles, except for the recognition of US\$453,895 and US\$450,000, as expenses of year 2002 and 2001, respectively, which correspond to purchase commitments of goods and services not yet received at year-end. This accounting practice is based on the regulations of the Inter-American Board of Agriculture and is incorporated into the Rules of the General Directorate and the Financial Rules, as indicated in Note 1-*l*.

In our opinion, except for the effects of the matter discussed in the preceding paragraph, and the adjustments, if any, as might have been determined to be necessary had we been provided with a complete analysis of the reconciling items mentioned in the third paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of IICA as of December 31, 2002 and 2001, and the results of its activities, changes in net assets, and cash flows for the years then ended, in conformity with generally accepted accounting principles.

As of December 31, 2002, the balances of quotas due from Member States amounting to US\$13,540,545, include US\$8,233,953 of quotas overdue for more than one year. The General Directorate of IICA considers such balances to be collectible and continues making efforts to collect these balances from each Member State.

Ours audits were conducted for the purpose of forming an opinion of the basic financial statements of IICA as of December 31, 2002 and 2001. The supplementary financial information shown in Exhibits 1, 2 and 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplementary financial information is the responsibility of the management of IICA. Such information has been subjected to the auditing procedures applied in the audit of the 2002 basic financial statements and, in our opinion, except for the effects over the Exhibits 2 and 3 of the matters discussed in the third and fourth paragraphs, is fairly stated in all material respects, in relation to the 2002 basic financial statements, taken as a whole.

Deloitte & Touche

April 25, 2003

# INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2002 AND 2001

(Stated in United States Dollars)

ASSETS	Notes	December 31, 2002			Total	December 31, 2001
		Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>CURRENT ASSETS:</b>						
Cash	2	US\$ 34,491,346	US\$	US\$	US\$34,491,346	US\$46,586,167
Short-term investments	1e, 3	15,421,660			15,421,660	19,611,502
Sub-total		49,913,006			49,913,006	66,197,669
Receivables:						
Quotas from Member States		13,540,545			13,540,545	12,644,106
Payments made on behalf of contracts, agreements and grants		2,818,968			2,818,968	1,172,542
Due from Regular Fund to Trust Fund	1f	(43,592,622)	43,592,622			
Due from Regular Fund to the Simón Bolívar Special Fund for Agricultural Development	1f	(12,834)	12,834			
Other		1,642,820			1,642,820	1,721,899
Sub-total		(25,603,123)	43,605,456		18,002,333	15,538,547
Less: Allowance for doubtful receivables	1h	(248,177)			(248,177)	(248,177)
Receivables - Net		(25,851,300)	43,605,456		17,754,156	15,290,370
Inventories	1g	103,514			103,514	116,081
Prepaid expenses		960,545			960,545	374,069
Other assets		231,906			231,906	278,799
Total current assets		25,357,671	43,605,456		68,963,127	82,256,988
PROPERTY, FURNITURE AND EQUIPMENT - Net	1i, 1j, 4	4,736,996		8,713,171	13,450,167	13,938,945
<b>TOTAL</b>		<u>US\$ 30,094,667</u>	<u>US\$43,605,456</u>	<u>US\$8,713,171</u>	<u>US\$82,413,294</u>	<u>US\$96,195,933</u>
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES:</b>						
Accounts payable and accrued expenses		US\$ 4,773,523	US\$	US\$	US\$ 4,773,523	US\$ 1,807,953
Purchase commitments	1l	453,895			453,895	450,000
Other accruals		856,160			856,160	147,490
Total current liabilities		6,083,578			6,083,578	2,405,443
Provisions for:						
Repatriation of international professional personnel	1k	1,144,619			1,144,619	1,033,391
Recognition of years of services for international professional personnel	1k	1,998,201			1,998,201	2,155,799
Recognition of years of services for local personnel	1k	1,502,716			1,502,716	1,931,905
Severance indemnities for local personnel	1k	3,583,790			3,583,790	3,209,044
Total provisions		8,229,326			8,229,326	8,330,139
Total liabilities		14,312,904			14,312,904	10,735,582
<b>NET ASSETS:</b>						
Unrestricted funds:						
Regular Fund -						
General Subfund	1b	3,996,985			3,996,985	2,972,882
Working Subfund	1b	4,126,302			4,126,302	4,126,302
Institutional Net Rate Fund	1b	2,921,480			2,921,480	1,661,813
Fixed Assets Fund	1b	4,736,996			4,736,996	5,225,773
Temporarily Restricted Funds:						
Trust Funds	1b		43,592,622		43,592,622	62,747,576
Simón Bolívar Special Fund for Agricultural Development	1b		12,834		12,834	12,834
Permanently restricted fund-land	1b			8,713,171	8,713,171	8,713,171
Total net assets		15,781,763	43,605,456	8,713,171	68,100,390	85,460,351
CONTINGENCIES	11					
<b>TOTAL</b>		<u>US\$ 30,094,667</u>	<u>US\$43,605,456</u>	<u>US\$8,713,171</u>	<u>US\$82,413,294</u>	<u>US\$96,195,933</u>

See accompanying notes to the financial statements.

# INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

## STATEMENTS OF ACTIVITIES OF UNRESTRICTED NET ASSETS YEARS ENDED DECEMBER 31, 2002 AND 2001

(Stated in United States Dollars)

	Notes	2002			2001				
		Regular Fund- Quotas and Miscellaneous Income	CATI's/INR	Trust Funds	Total	Regular Fund- Quotas and Miscellaneous Income	CATI's/INR	Trust Funds	Total
<b>REVENUES:</b>									
Quotas from Member States	1c	US\$27,508,680			US\$27,508,680	US\$27,508,680			US\$ 27,508,680
Recovery of Indirect Technical and Administrative Costs (CATI's) and Institutional Net Rate (INR)	5		US\$6,508,826		6,508,826		US\$7,443,790		7,443,790
Temporarily restricted funds assets released from restrictions	1f			US\$127,191,960	127,191,960			US\$141,651,367	141,651,367
Commercial and miscellaneous operations - Net	6	<u>141,391</u>			<u>141,391</u>	<u>48,833</u>			<u>48,833</u>
Total revenues		<u>27,650,071</u>	<u>6,508,826</u>	<u>127,191,960</u>	<u>161,350,857</u>	<u>27,557,513</u>	<u>7,443,790</u>	<u>141,651,367</u>	<u>176,652,670</u>
<b>EXPENSES:</b>									
Salaries-international professional personnel		10,683,734			10,683,734	9,971,544			9,971,544
Salaries-local professional general services personnel		7,126,220			7,126,220	7,506,459			7,506,459
Scholarships		306,476			306,476	232,264			232,264
IICA staff travel		986,608			986,608	916,870			916,870
Documents and supplies		563,738			563,738	522,682			522,682
Acquisition and/or rental of assets and other		614,242			614,242	959,944			959,944
Maintenance, communications and general services		1,450,560			1,450,560	1,123,496			1,123,496
Contracts, works, donations and subsidies		2,821,641			2,821,641	3,700,154			3,700,154
Annual allowance to CATIE		1,000,000			1,000,000	1,000,000			1,000,000
Annual allowance to Caribbean Agricultural Research and Development Institute (CARDI)		180,000			180,000	142,830			142,830
Miscellaneous		<u>892,749</u>			<u>892,749</u>	<u>874,263</u>			<u>874,263</u>
Sub-total of expenses related to quota budget and Working Subfund		<u>26,625,968</u>			<u>26,625,968</u>	<u>26,950,506</u>			<u>26,950,506</u>
Temporarily restricted funds assets released from restrictions	1f			127,191,960	127,191,960			141,651,367	141,651,367
Disbursements financed with funds from the Indirect Technical and Administrative Costs (CATI's) and Institutional Net Rate (INR)	5		<u>5,249,122</u>		<u>5,249,122</u>		<u>6,413,954</u>		<u>6,413,954</u>
Total expenses		<u>26,625,968</u>	<u>5,249,122</u>	<u>127,191,960</u>	<u>159,067,050</u>	<u>26,950,506</u>	<u>6,413,954</u>	<u>141,651,367</u>	<u>175,015,827</u>
Increase in unrestricted net assets for the year, before excluding net expenses capitalized in furniture and equipment and including depreciation expense		1,024,103	1,259,704		2,283,807	607,007	1,029,836		1,636,843
Exclusion of net capitalized expenses as property, furniture and equipment		<u>505,036</u>			<u>505,036</u>	<u>706,995</u>			<u>706,995</u>
Increase in unrestricted net assets for the year, before including depreciation expense		1,529,139	1,259,704		2,788,843	1,314,002	1,029,836		2,343,838
Inclusion of depreciation expense		<u>(993,813)</u>			<u>(993,813)</u>	<u>(980,407)</u>			<u>(980,407)</u>
Increase in unrestricted net assets		<u>US\$ 535,326</u>	<u>US\$1,259,704</u>	<u>US\$</u>	<u>US\$ 1,795,030</u>	<u>US\$ 333,595</u>	<u>US\$1,029,836</u>	<u>US\$</u>	<u>US\$ 1,363,431</u>

See accompanying notes to the financial statements.

# INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

## STATEMENTS OF CHANGES IN NET ASSETS YEARS ENDED DECEMBER 31, 2002 AND 2001

(Stated in United States Dollars)

	Net Assets							Total
	Unrestricted				Temporarily Restricted		Permanently Restricted	
	Regular Fund		Institutional Net Rate Fund	Fixed Assets Fund	Trust Funds	Simón Bolívar Special Fund for Agricultural Development	Land	
General Subfund	Working Subfund							
BALANCE AT DECEMBER 31, 2000	US\$ 2,365,875	US\$ 4,126,302	US\$ 515,952	US\$ 5,499,185	US\$ 42,034,858	US\$ 12,834	US\$ 8,713,171	US\$ 63,268,177
Restricted contributions received from donors					162,231,323			162,231,323
Net assets released from restrictions					(141,651,367)			(141,651,367)
Increase (decrease) in unrestricted net assets for the year	1,314,002		1,029,836	(980,407)				1,363,431
Prior period adjustments			116,025					116,025
Capitalization of net disbursements in property, furniture and equipment	(706,995)			706,995				
Net increase in disbursements made on behalf of contracts, agreements, and grants receivable from donors					132,762			132,762
BALANCE AT DECEMBER 31, 2001	2,972,882	4,126,302	1,661,813	5,225,773	62,747,576	12,834	8,713,171	85,460,351
Restricted contributions received from donors					106,390,580			106,390,580
Net assets released from restrictions					(127,191,960)			(127,191,960)
Increase (decrease) in unrestricted net assets for the year	1,529,139		1,259,704	(993,813)				1,795,030
Prior period adjustments			(37)					(37)
Capitalization of net disbursements in property, furniture and equipment	(505,036)			505,036				
Net increase in disbursements made on behalf of contracts, agreements, and grants receivable from donors					1,646,426			1,646,426
BALANCE AT DECEMBER 31, 2002	<u>US\$ 3,996,985</u>	<u>US\$ 4,126,302</u>	<u>US\$ 2,921,480</u>	<u>US\$ 4,736,996</u>	<u>US\$ 43,592,622</u>	<u>US\$ 12,834</u>	<u>US\$ 8,713,171</u>	<u>US\$ 68,100,390</u>

See accompanying notes to the financial statements.

# INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2002 AND 2001 (Stated in United States Dollars)

	2002	2001
<b>OPERATING ACTIVITIES:</b>		
Increase in unrestricted net assets	US\$ 1,795,030	US\$ 1,363,431
Plus: Items not requiring cash:		
Prior period adjustments	(37)	116,025
Depreciation	993,813	980,407
Allowance for doubtful accounts		354
Cash provided by (used for) changes in:		
Quotas receivable from Member States	(896,439)	2,019,421
Other receivables	79,079	(514,204)
Inventories	12,568	(1,304)
Prepaid expenses	(586,476)	(82,005)
Other assets	46,893	145,785
Accounts payable and accrued expenses	2,965,570	(407,947)
Purchase commitments	3,895	(847,081)
Other accruals	708,670	(422,270)
Provisions	(100,813)	888,914
Net cash provided by operating activities	<u>5,021,753</u>	<u>3,239,526</u>
<b>INVESTING ACTIVITIES:</b>		
Additions to furniture and equipment	(628,411)	(793,143)
Disposal to furniture and equipment – Net	<u>123,375</u>	<u>86,148</u>
Net cash used in investing activities	<u>(505,036)</u>	<u>(706,995)</u>
<b>FINANCING ACTIVITIES:</b>		
Restricted contributions received from donors	128,748,212	165,714,793
Disbursements made in the execution of trust funds	(149,549,592)	(145,134,856)
Loan payable		<u>(2,500,000)</u>
Net cash provided by (used in) financing activities	<u>(20,801,380)</u>	<u>18,079,937</u>
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	<u>(16,284,663)</u>	<u>20,612,468</u>
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	<u>66,197,669</u>	<u>45,585,201</u>
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	<u>US\$ 49,913,006</u>	<u>US\$ 66,197,669</u>

See notes to financial statements.

# INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2002 AND 2001 (Stated in United States Dollars)

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### 1. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

- a. ***Basis of Presentation*** - The Inter-American Institute for Cooperation on Agriculture (IICA), formerly the Interamerican Institute of Agricultural Sciences, was established on October 7, 1942 pursuant to an initiative of the Organization of American States (OAS) in the District of Columbia, United States of America for an indefinite term. IICA is an autonomous international non-profit legal entity of Inter-American scope, whose main objective is to stimulate, promote, and support the efforts of the Member States to achieve agricultural development and rural well-being. Its regulations and operating procedures currently in use were approved at the First Ordinary Meeting of the Inter-American Board of Agriculture, held in August 1981 in Argentina.

IICA has the following formal authority structures:

- i. Inter-American Board of Agriculture (IABA) comprised by a representative from each Member State.
- ii. Executive Committee comprised by twelve Member States.
- iii. General Directorate.

At present, IICA is made up of 34 Member States with central headquarters located in San José, Costa Rica.

- b. ***Funds managed by IICA*** - Funds managed by IICA are classified in the accompanying financial statements, according to the accounting policies established by IICA, as Unrestricted Funds, Temporarily Restricted Funds, and Permanently Restricted Funds. Additionally, such funds are classified according to their source and purpose, as follows:

#### ***Unrestricted Funds:***

- i. ***Regular Fund:*** This fund is comprised by two subfunds:

***General Subfund*** - Activities of this subfund are mainly financed by mandatory contributions from Member States, as established by IABA, based on the quota computation system of the Organization of American States (OAS). In addition, the miscellaneous income is recorded in this fund. The purpose of the General Subfund is to finance execution of the regular activities planned and budgeted by IICA, including administration and management.

**Working Subfund** - The purpose of this subfund is to ensure the normal financial operation of IICA. According to Article 89 of the Rules of the General Directorate, the subfund balance shall not exceed 15% of annual quotas approved for the corresponding fiscal year, unless otherwise decided by IABA. This fund is constituted by the proceeds from the balances of uncommitted budget allocations at each fiscal year-end and by additional funds specifically assigned by IABA.

- ii. Fixed Assets Fund** - The Fixed Assets Fund is used by IICA to control unrestricted property, furniture and equipment, which have been either acquired with resources from the Regular Fund or the Institutional Net Rate (INR) Fund or donated thereto by a national or international organization. The balance of the Fixed Assets Fund represents the carrying value, net of depreciation, of fixed assets owned by IICA, except for land with permanent use restrictions.
- iii. Institutional Net Rate (INR) Fund** - The objective of this Fund is to finance additional costs incurred by IICA, in the execution of contracts, agreements, and grants subscribed with donors (Member States, international organizations, and others) for specific purposes and to contribute to the Institute's pre-investment activities. The Institutional Net Rate Fund balance is composed of the recovery of Indirect Technical and Administrative Costs (CATI's) and Institutional Net Rate (INR) in the management of projects executed by IICA with donor resources.

**Temporarily Restricted Funds:**

- i. Trust Funds** - The Trust Funds have been established according to contracts, agreements, and grants subscribed with donors (Member States, international organizations, and others) for specific purposes. For control purposes, separate records are maintained to account for income and expenses related to those funds. Moreover, financial resources pertaining to some funds are managed through separate bank accounts according to donor requirements.
- ii. Simón Bolívar Special Fund for Agricultural Development** - This fund is voluntary in nature, created to promote the activities of IICA and to accelerate agricultural and rural development in Latin America and the Caribbean. This fund is mainly financed by a special contribution from the Government of Venezuela and by contributions from other Member States.

**Permanently Restricted Fund - Land:**

This fund is represented by the original contribution of land to IICA, which has permanent use restrictions (Note 4).



c. **Budget** - A summary of significant aspects of each fund budget is provided below:

i. **Regular Fund** - On November 26, 2001, through Resolution IICA/IABA/Res. 371 (XI-O/01), the Inter-American Board of Agriculture (IABA) approved the 2002 and 2003 budget for the Regular Fund made up of Member State quotas and other miscellaneous income amounting to US\$27,508,680 and US\$2,491,320, respectively.

The above resolution authorizes the Director General to transfer amounts between budget chapters not exceeding 10% of the total of each chapter.

In the Exhibit 2, a comparative analysis is shown of the budget authorized by IABA, actual expenses and respective over/under execution.

ii. **Trust Funds** - Through resolution IICA/IABA/Res. 254 (VIII-0/95) dated September 19, 1995, IABA authorized the Director General to use the financial resources provided by institutions and Member States related to contracts, agreements, and grants. The mentioned resolution authorized the Director General to accept contributions and donations, and to subscribe contracts or agreements, as long as they are consistent with the objectives of IICA programs and that the Executive Committee of IICA is notified in advance of contracts or agreements exceeding US\$500,000.

d. **Monetary Unit and Foreign Exchange Transactions** - The accounting records of IICA are kept in U.S. Dollars (US\$) and the financial statements are expressed in such currency. Assets and liabilities in currencies of countries where IICA activities are developed are translated into U.S. Dollars primarily at official or commercial exchange rates in effect in each country. Transactions in such currencies are translated into U.S. Dollars using monthly average exchange rates. When determining its financial position and results of activities, IICA values and adjusts the balances of assets and liabilities that are recoverable or payable in the local currency of countries where activities are developed. The resulting differences are applied to the results of the period in which they are incurred.

e. **Short-Term Investments** - Short-term investments are stated at cost, which approximates market value.

f. **Due from Regular Fund and Temporarily Restricted Net Assets** - Funds contributed by institutions and Member States (donors) to establish Trust Funds for executing contracts, agreements, and grants are restricted contributions received from donors recorded as temporarily restricted net assets. As the funds are used in the agreed-upon activities, IICA recognizes simultaneously an income for funds released from restrictions and an expense of the Trust Funds in the Statement of Activities of Unrestricted Net Assets. Generally, funds received from donors to execute contracts, agreements, and grants are managed by IICA as part of current assets of the Regular Fund. To identify the portion of funds corresponding to resources received from donors, two assets accounts are included entitled "Due from Regular Fund by Trust

Funds” and “Due from Regular Fund by the Simón Bolívar Special Fund for Agricultural Development”.

Whenever expenses incurred by IICA in the execution of a particular contract, agreement, or grant exceed the amounts contributed, the resulting difference is recorded as an account receivable from the respective donor.

- g. ***Inventories*** - Inventories are stated at average cost, which does not exceed market value.
- h. ***Allowance for Doubtful Accounts*** - According to IICA/IABA/Res. 109 (III-E/86) dated October 28, 1986, IICA adopted the policy of recording an allowance for doubtful accounts.
- i. ***Property, Furniture, and Equipment*** - IICA has adopted the policy of charging the amounts disbursed and/or committed for the acquisition of fixed assets to current period expenses, and, subsequently, capitalize those amounts in the Fixed Assets Fund. Such capitalization is recorded at original acquisition cost of the asset or the market value in effect at the donation date, if they are donated. Minor repairs and maintenance expenses are charged to results of the annual activities. Such practice enables IICA to compare expenditures with annual budgeted amounts for the acquisition of fixed assets and, at the same time, to present such amounts as capitalized assets in the Statement of Financial Position.
- j. ***Accumulated Depreciation*** - The historical cost (or appraisal) of fixed assets is depreciated over the estimated useful lives using the straight-line method.
- k. ***Provisions*** - According to the organization’s regulations, in case of resignation or dismissal, IICA pays expenses for repatriation and recognition of years of service of international professional personnel. Such expenses are computed for each official based on years of service and the number of family dependents. Likewise, local personnel are entitled to similar benefits once they no longer work for IICA. IICA has adopted the policy of recording provisions, entitled “Repatriation of International Professional Personnel”, “Recognition of years of service for international professional personnel” and “Recognition of Years of Service for Local Personnel”, respectively, to cover expected disbursements for such concepts.

In accordance with applicable legislation in each country where IICA offices are located, local personnel are entitled to severance indemnities based on years of continuous service. IICA follows the policy of recording an accrual for severance indemnities to cover disbursements related therewith. Actual indemnity payments are charged to the provision.

- l. ***Purchase Commitments*** - In conformity with the Rules of the General Directorate and its Financial Regulations, IICA follows the practice of recognizing a liability in its financial statements for those commitments assumed to acquire goods and services not yet received at year-end.

The provisions regulating the recording of such liabilities are included in Standards No. 2.13 and 2.14 entitled “Recording and Control of Obligations” and “Disbursements”, respectively, which establish that obligations to acquire goods and assets that are pending at the close of each fiscal year shall be included as part of total expenses for that year and should be recorded as accounts payable at the close of the same year. Those standards also establish that budgetary allocations should be available to comply with payments of all obligations incurred during the fiscal year, as well as obligations approved prior to the close of the fiscal year which will be carried forward to the following year or years for their corresponding settlement. In the latter case, the aforementioned standards of the Financial Regulations indicate that such budgetary allocations should remain available for up to one year after the date of the close of the fiscal year in which the obligations were incurred and approved. Upon termination of such period, allocations expire and the remaining obligations should be eliminated by transferring the respective funds to the Working Subfund of the Regular Fund.

As of December 31, 2002 and 2001, approximately 92.10% and 85.42%, respectively of such obligations are related to commitments funded through the quotas budget.

- m. ***Net Assets - Restricted and Unrestricted Funds*** - Effective from December 31, 1995, IICA adopted the new accounting standards contained in Financial Accounting Standards (FASB) No.116 and 117. In accordance with those standards, IICA records contributions received from donors for specific purposes, as well as any income generated by such contributions, as Net Assets-Temporarily Restricted Funds. The balance of each Temporarily Restricted Fund decreases when available resources are used for established purposes, and is disclosed as “net assets released from restrictions” in the Statement of Changes in Net Assets and in the Statement of Activities of Unrestricted Net Assets.

The balance of Unrestricted Funds increases with the excess of income over expenses from IICA’s miscellaneous activities (increase in unrestricted net assets), as determined at the year-end. Likewise, such balance decreases when there is an excess of expenses over income (decrease in unrestricted net assets).

- n. ***Income from Member State Quotas*** - According to IABA resolutions, IICA follows the policy of recording assessed quotas as receivable from Member States on the first day of the corresponding fiscal year. According to Article 86 of IICA’s Rules of the General Directorate, such quotas are collectible effective from that date.
- o. ***Recovery of Indirect Technical and Administrative Costs (CATI’s)*** - As established in certain contract agreements signed by IICA with donors (Member States, international organizations, etc.), IICA recovers indirect costs incurred in the execution of trust funds, as a recognition of the administrative efforts devoted by IICA to manage such contracts. Such reimbursement is recognized by IICA as income when earned and increases the balance of the Institutional Net Rate (INR) Fund.

## 2. RESTRICTED CASH

Cash in banks at December 31, 2002 and 2001 includes funds held in separate bank accounts of US\$29,334,694 and US\$40,297,640 respectively, which may only be used to cover expenditures related to contracts signed by IICA and the respective donors.

## 3. SHORT-TERM INVESTMENTS

Short-term investments are detailed as follows:

	<b>2002</b>	<b>2001</b>
<u>In Argentinean pesos:</u>		
Time deposits, interest between 9% and 32% per annum (2001: 9.5% and 28% per annum)	US\$ 824,450	US\$ 2,813,000
<u>In Costa Rican colones:</u>		
Bonds and mutual funds, interest between 14.74% and 18.9% per annum (2001: 11.96% and 17.05% per annum)	1,388,663	1,709,446
<u>In Chilean pesos:</u>		
Time deposits, interest between 1.82% and 2.92% per annum (2001: 4.62% and 6.81% per annum)	143,943	460,631
<u>In US dollars:</u>		
Money market funds, time deposits and mutual funds, interest between 1.05% and 6.38% per annum (2001: 1.64% and 6.5% per annum)	11,155,577	10,656,812
Overnight deposits, interest of 0.53% per annum (2001: 0.93% per annum)	303,149	1,160,161
<u>Other currencies:</u>		
Time deposits, real estate investment certificates, mortgage bonds and other commercial paper, interest between 1.97% and 10.5% per annum (2001: 4.5% and 28% per annum)	<u>1,605,878</u>	<u>2,811,452</u>
Total	<u>US\$15,421,660</u>	<u>US\$19,611,502</u>

As of December 31, 2002 and 2001, short-term investments of US\$4,400,879 and US\$5,479,318 respectively, are restricted to cover expenditures of contracts signed by IICA and the respective donors.

#### 4. PROPERTY, FURNITURE AND EQUIPMENT

The property, furniture and equipment is detailed as follows:

	<b>2002</b>	<b>2001</b>
Unrestricted:		
Buildings	US\$ 5,205,177	US\$ 5,205,177
Vehicles	1,749,575	1,820,465
Furniture and equipment	<u>8,571,849</u>	<u>8,362,608</u>
Total unrestricted fixed assets	15,526,601	15,388,250
Less: Accumulated depreciation	<u>(10,789,605)</u>	<u>(10,162,476)</u>
Total unrestricted fixed assets, Net	4,736,996	5,225,774
Permanently restricted – Land	<u>8,713,171</u>	<u>8,713,171</u>
Total	<u>US\$13,450,167</u>	<u>US\$13,938,945</u>

Property, furniture and equipment do not include fixed assets acquired with resources from special funds (Trust Funds), since such disbursements are considered expenditures related to the execution of specific agreements related to those funds. However, in accordance with the provisions of each agreement, when assets are donated, exchanged, or sold to IICA, they are recognized in the accounting records as part of the Fixed Assets Fund.

Land located in Costa Rica (San Isidro de Coronado, Turrialba and Limón) was donated to IICA by the Government of Costa Rica. However, once IICA concludes its official mission or terminates its functions in Costa Rica, this property and any improvements thereto shall be returned to the Government of Costa Rica. Income capitalized for this donation is shown in the financial statements of IICA as part of Net Assets - Permanently Restricted Funds. Throughout the years, IICA has built several administrative facilities and related infrastructure on the properties donated by the Government of Costa Rica. These improvements to donated properties have no restrictions of use and are being amortized over their estimated useful lives. As of December 31, 2002, the net book value of such assets is US\$1,740,884 (2001: US\$1,924,106).

According to an agreement subscribed between the Government of Costa Rica and IICA, the Tropical Agricultural Research and Training Center (CATIE) was granted usufruct rights to land and buildings located in Turrialba and Limón, Costa Rica.

**5. INCOME AND EXPENSES RELATED TO INDIRECT ADMINISTRATIVE AND TECHNICAL COSTS (CATI's) AND TO INSTITUTIONAL NET RATE (INR)**

Income and expenses related to Indirect Administrative and Technical Costs (CATI's) and to Institutional Net Rate (INR) are composed as follows:

	<b>2002</b>	<b>2001</b>
Income:		
Inter-American Development Bank (IDB)	US\$ 510,656	US\$ 501,225
Ministry of Agriculture, Livestock, and Food - (MAGA) - Guatemala	954,720	336,898
International Bank for Reconstruction and Development (IBRD)		573,851
International Agricultural Development Fund	142,020	162,336
Ministry of Agricultural Development (MIDA) - Panama	18,556	139,880
Ministry of Agriculture and Rural Development - Colombia	370,987	378,928
Secretariat of Agriculture, Livestock, Fisheries and Food - Argentina	171,895	533,248
National Institute of Meteorology (INMET) - Brazil	5,893	109,571
Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) – Organization, Training, Technical Assistance and Research Project - Mexico	1,335,106	1,234,030
Institute for Agriculture and Livestock Development (INDAP) - Chile	135,527	114,440
United States Department of Agriculture (USDA)		206,905
Ministry of Livestock, Agriculture, and Fisheries - Reinforcement of Plant Health Directorate - Uruguay	229,741	313,204
Cabinet of the Special Ministry for Funding Policy - Brazil		108,639
Fund for National Plan of Alternative Development - Colombia	(64,043)	206,925
National Institute of Fishery Research and Investigation - Argentina	12,504	121,499
National Service of Sanitation and Agrofeeding Quality - Argentina	1,189	113,617
Sub-Secretariat of Agriculture, Livestock and Forestry - Argentina		111,543
Government of the United States of America	129,769	263,386
Ministry of National Integration - Brazil	128,676	149,800

(Continued)

	<b>2002</b>	<b>2001</b>
Secretariat of Hydro-Infrastructure of the Ministry of National Integration – Brazil	US\$ 144,196	US\$ 150,516
World Bank	349,178	
U.S. Agency for International Development (USAID)	187,231	
Ministry of Agrarian Performance - Brazil	113,002	
Ministry of National Education - Colombia	102,567	
Other institutions	<u>1,529,456</u>	<u>1,613,349</u>
Total	<u>US\$6,508,826</u>	<u>US\$7,443,790</u>
Expenses:		
International professional personnel costs	US\$ 650,949	US\$ 575,288
Local personnel and general services costs	2,440,841	1,864,651
Scholarships	59,369	73,280
IICA staff travel	207,572	356,474
Documents and materials	196,969	193,604
Acquisition and rental of property and equipment	219,995	372,744
Maintenance, communications, and general services	462,082	445,118
Contracts, works, donations, and subsidies	899,069	2,064,720
Other costs	<u>112,276</u>	<u>468,075</u>
Total	<u>US\$5,249,122</u>	<u>US\$6,413,954</u>

On October 13, 1997, through Resolution IICA/IABA/Res. 310 (IX-0/97), the Inter-American Board of Agriculture agreed to establish the Institutional Net Rate (INR) Fund. Based on this resolution, any surplus of CATIs increases the balance of such Fund.

## **6. COMMERCIAL AND MISCELLANEOUS OPERATIONS**

A breakdown of revenues and expenses from commercial and miscellaneous operations is as follows:

	<b>2002</b>	<b>2001</b>
Revenues:		
Interest earned from securities	US\$1,609,118	US\$1,866,785
Proceeds from equipment sales	84,670	80,382
Purchase discounts	172,556	189,584
Book sales commission	(394)	17,677
Sales of services	169,867	140,554
Other	<u>394,355</u>	<u>435,618</u>
Total revenues from commercial and miscellaneous income	<u>US\$2,430,172</u>	<u>US\$2,730,600</u>

(Continued)

	<b>2002</b>	<b>2001</b>
Expenses:		
Salaries-local professional personnel and general services personnel	US\$ 426,097	US\$ 858,412
Scholarships	34,292	32,125
IICA staff travel	57,704	94,344
Documents and supplies	226,413	152,375
Acquisition and/or rental of fixed assets and other	232,241	192,794
Maintenance, communications, and general services	434,646	313,779
Contracts, works, donations and subsidies	869,521	1,081,360
Other costs	69,522	291,928
Miscellaneous	<u>150,392</u>	<u>31,370</u>
Sub-total	2,500,828	3,048,487
Exchange gains, net	<u>(212,047)</u>	<u>(366,720)</u>
Total expenses from commercial and miscellaneous activities	<u>2,288,781</u>	<u>2,681,767</u>
Excess of income over expenses	<u>US\$ 141,391</u>	<u>US\$ 48,833</u>

## **7. TROPICAL AGRICULTURE RESEARCH AND TRAINING CENTER (CATIE)**

On September 12, 2000, under Law No. 6873 the Costa Rican Legislative Assembly ratified CATIE's creation contract entered into by the Government of Costa Rica, IICA and CATIE. The most significant terms of this Law are as follows:

- a. The Inter-American Board of Agriculture will be the superior governing body of CATIE.
- b. CATIE's members (partners) may be regular or special. The regular members will be IICA, the Government of Costa Rica, and the Governments of the remaining member countries of IICA, which incorporate into CATIE via acceptance of the Contract. Special members will include international governmental and non-governmental organizations, international centers, and private organizations with similar purposes as those of CATIE.
- c. IICA will contribute up to a maximum of 5% of IICA's quotas budget to CATIE's basic budget. The use of those contributions may be subject to an audit by IICA, when considered necessary. Each member country of CATIE will annually contribute with no less than US\$50,000 to cover CATIE's expenses.
- d. The new agreement will be for a 20-year period, effective from its enacting date, and may be renewed for equal consecutive terms.
- e. CATIE is entitled to the following: i) usufruct rights to land, buildings, equipment, and other property contributed by IICA, plus improvements thereto, during the entire term of the contract, and ii) all assets CATIE has acquired or will acquire in the future.



- f. Upon termination of the contract, all usufruct property as well as improvements thereto, will be returned to IICA. The remaining assets will be distributed between IICA, the Government of Costa Rica, and regular active members based on quotas paid.

During the years ended December 31, 2002 and 2001, IICA contributed US\$1,000,000 in each year to CATIE, in accordance with the approved allocation in the Program Budget.

## **8. DISBURSEMENTS SUBJECT TO APPROVAL**

Some grant agreements subscribed with international organizations, establish that disbursements for agreed-upon programs executed with grant funds are subject to approval or rejection by those same organizations, depending on compliance with the terms of each agreement.

As of December 31, 2002, management of IICA is not aware of any expenses not yet reimbursed, that would have been questioned or disallowed by the respective donors.

## **9. TAXES**

As an international organization, IICA is exempt from income and sales taxes in Costa Rica and other countries where it operates. With respect to other taxes, such as contributions and present or future national and municipal taxes, customs duties, national licenses, among others, the exemption is dependent upon the agreements subscribed with the Governments of those countries.

## **10. INACTIVE FUNDS**

The Interamerican Board of Agriculture (IABA) approved, through various resolutions, the establishment of the following funds. Nevertheless, as of December 31, 2002 these funds have not received yet any contributions and therefore, remain inactive.

- i. ***Patrimonial Fund*** - The purpose is to establish an endowment fund to finance IICA activities. The fund balance would be made up of donations and other voluntary contributions from governments, individuals, private institutions, and other donors, as well as a portion of the Fund's annual income deposited in the endowment to increase and preserve its real value.

The Fund's capital assets shall include all donated items of value, including, but not limited to: cash, stocks, bonds, notes, commercial paper, and other securities; real estate; intellectual property rights; licenses; royalty rights; liens, jewels, precious metals, and other valuables, tangible and intangible. Capital Assets shall also include that portion of the Fund's annual income allocated to increase and maintain the value of Capital Assets. Sixty percent of the Fund's net annual income shall be allocated to

strengthening the Regular Fund budget of the Institute; the remainder is to be used to increase and maintain the real value of the Capital Assets of the Fund.

Capital Assets donated to the Fund, including all reinvested income to increase and maintain the real value of the Fund's Capital Assets, shall not be expensed for a 20 year-period from the date of the IABA resolution creating the Fund.

- ii. IICA Associates Trust Fund* - In Resolution IICA/IABA/Res. 312 (IX-0/97), dated October 13, 1997, the Inter-American Board of Agriculture approved the creation of the IICA Associates Trust Fund. The status of IICA Associate is granted to certain permanent observers, international, regional, and national organizations, and other non-IICA Member States. The Fund's balance is to be made up of contributions from such Associates, Member States and other donors to this Fund, and will be governed by the corresponding rules and regulations of the Institute and its Statutes approved by the Executive Committee.

## **11. CONTINGENCIES**

As of December 31, 2002, there are various litigation cases in which IICA is a party, filed through its Cooperation Offices in Brazil, Ecuador, Colombia, Guatemala and Venezuela. These litigations are in different procedural stages and the amounts claimed are approximately US\$450,000, in the aggregate.

The legal advisors of IICA believe that no material liability will result from these legal proceedings. Nevertheless, the financial statements of IICA for the year ended December 31, 2002, include a provision of US\$119,000 to cover potential losses from the above mentioned litigations and US\$357,000 for other contingent liabilities which may arise.

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**INTER-AMERICAN INSTITUTE FOR COOPERATION  
ON AGRICULTURE (IICA)**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**AS OF DECEMBER 31, 2002**

# INDEX

## Enclosure

1. Statement of movements of Member State quotas receivable
2. Quota budget, expenses, and appropriation to the Working Subfund of the Regular Fund
3. Execution of external resources by financing source

**INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)**  
**REGULAR FUND**

**STATEMENT OF MOVEMENTS OF MEMBER STATE QUOTAS RECEIVABLE**  
**YEAR ENDED DECEMBER 31, 2002**  
(Stated in United States Dollars)

Country	Uncollected Quotas at beginning of year	Quotas for the year	Quotas collected during the year			Uncollected quotas at year-end		
			Prior years	Current year	Total	Prior years	Current year	Total
Antigua & Barbuda	US\$ 11,004	US\$ 5,502				US\$ 11,004	US\$ 5,502	US\$ 16,506
Argentina	2,347,925	1,347,925	US\$ 247,925		US\$ 247,925	2,100,000	1,347,925	3,447,925
Bahamas		19,443		US\$ 19,443	19,443			
Barbados		22,007		22,007	22,007			
Belize		8,253		8,253	8,253			
Bolivia		19,256		19,256	19,256			
Brazil	3,994,621	2,351,992				3,994,621	2,351,992	6,346,613
Canada		3,399,881		3,399,881	3,399,881			
Colombia	(22,610)	258,582				(22,610)	258,582	235,972
Costa Rica	40,088	35,761	33,273		33,273	6,815	35,761	42,576
Chile		148,547		148,547	148,547			
Dominica		5,502		5,502	5,502			
Dominican Republic	2,764	49,516				2,764	49,516	52,280
Ecuador	263,775	49,516	86,096		86,096	177,679	49,516	227,195
El Salvador		19,256		19,256	19,256			
Grenada	8,253	8,253	8,253	9,259	17,512		(1,006)	(1,006)
Guatemala	9,655	35,761	9,655	17,977	27,632		17,784	17,784
Guyana	5,537	5,502	5,537	5,553	11,090		(51)	(51)
Haiti	19,256	19,256				19,256	19,256	38,512
Honduras	14,882	19,256	14,882	24,865	39,747		(5,609)	(5,609)
Jamaica	35,000	49,516	35,000	49,516	84,516			
Mexico		1,672,528		1,672,528	1,672,528			
Nicaragua	174,007	19,256				174,007	19,256	193,263
Panama	(24,956)	35,761		10,805	10,805	(24,956)	24,956	
Paraguay	118,737	49,516				118,737	49,516	168,253
Peru	676,716	112,786	112,786		112,786	563,930	112,786	676,716
Saint Kitts & Nevis		5,502		5,502	5,502			
Saint Vincent and the Grenadines		5,502		5,502	5,502			
Saint Lucia		8,253		8,253	8,253			
Suriname	38,512	19,256	19,256		19,256	19,256	19,256	38,512
Trinidad & Tobago		49,516		49,516	49,516			
United States of America	3,837,490	16,359,412	3,837,490	16,359,559	20,197,049		(147)	(147)
Uruguay	143,046	71,523				143,046	71,523	214,569
Venezuela	950,404	880,278				950,404	880,278	1,830,682
Sub-total	<u>US\$12,644,106</u>	<u>US\$27,167,572</u>	<u>US\$ 4,410,153</u>	<u>US\$21,860,980</u>	<u>US\$26,271,133</u>	<u>US\$ 8,233,953</u>	<u>US\$5,306,592</u>	<u>US\$13,540,545</u>
Cuba <sup>(1)</sup>		341,108						
Total		<u>US\$27,508,680</u>						

(1) Included only for purposes of the distribution of quotas

**INTER-AMERICAN INSTITUTE FOR COOPERATION  
ON AGRICULTURE (IICA)  
REGULAR FUND**

**QUOTA BUDGET, EXPENSES AND APPROPRIATION TO THE WORKING  
SUBFUND OF REGULAR FUND  
YEAR ENDED DECEMBER 31, 2002  
(Stated in United States Dollars)**

	Budget	Expenses	(Over) under execution	
			Amount	Percentage
<b>CHAPTER 1: DIRECT COOPERATION SERVICES</b>				
Policy and Trade	US\$ 5,142,100	US\$ 4,684,417	US\$ 457,683	91.10%
Science, Technology and Natural Resources	5,170,200	4,873,554	296,646	94.26%
Agricultural Health and Food Safety	4,783,500	4,553,783	229,717	95.20%
Sustainable Rural Development	4,309,800	4,059,276	250,524	94.19%
Education and Training	2,704,200	2,629,263	74,937	97.23%
Information and Communication	<u>2,330,500</u>	<u>2,564,423</u>	<u>(233,923)</u>	<u>110.04%</u>
Total Chapter 1	<u>24,440,300</u>	<u>23,364,716</u>	<u>1,075,584</u>	<u>95.60%</u>
<b>CHAPTER 2: MANAGEMENT COSTS</b>				
Senior Management	785,000	792,747	(7,747)	100.99%
Management Unit for Planning and Coordination	201,700	69,632	132,068	34.52%
Management Unit for Corporate Services	<u>835,100</u>	<u>1,034,717</u>	<u>(199,617)</u>	<u>123.90%</u>
Total Chapter 2	<u>1,821,800</u>	<u>1,897,096</u>	<u>(75,296)</u>	<u>104.13%</u>
<b>CHAPTER 3: GENERAL COSTS AND PROVISIONS</b>				
Working Subfund of Regular Fund	341,100	341,108	(8)	100.00%
Governing Bodies	400,000	390,413	9,587	97.60%
Insurance	205,000	284,823	(79,823)	138.94%
Pensions	180,000	228,261	(48,261)	126.81%
OAS Administrative Tribunal	25,000	24,050	950	96.20%
External Audit	<u>95,500</u>	<u>95,500</u>	<u>0</u>	<u>100.00%</u>
Total Chapter 3	<u>1,246,600</u>	<u>1,364,155</u>	<u>(117,555)</u>	<u>109.43%</u>
<b>TOTAL</b>	<u><u>US\$27,508,700</u></u>	<u><u>US\$26,625,967</u></u>	<u><u>US\$ 882,733</u></u>	<u><u>96.79%</u></u>

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**INTER-AMERICAN INSTITUTE FOR COOPERATION  
ON AGRICULTURE (IICA)**

**EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE  
YEAR ENDED DECEMBER 31, 2002**

(Stated in United States Dollars)

<b>Source</b>	<b>Amount</b>
<b>a. MEMBER STATES</b>	
Argentina	US\$ 4,983,103
Barbados	89,773
Bolivia	138,345
Brazil	11,625,461
Canada	228,828
Chile	2,691,079
Colombia	12,426,463
Costa Rica	723,540
Dominican Republic	107,680
Ecuador	1,515,572
El Salvador	1,240,741
Guatemala	25,040,502
Guyana	10,957
Haiti	143,806
Honduras	441,145
Jamaica	116,948
Mexico	19,950,972
Organization of Eastern Caribbean States	35,732
Panama	4,434,278
Paraguay	359,674
Peru	388,455
Suriname	53,423
Trinidad and Tobago	99,698
United States of America	2,930,653
Uruguay	3,656,890
Venezuela	<u>69,272</u>
Sub-total – Member States	<u>US\$ 93,502,990</u>

(Continued)

**INTER-AMERICAN INSTITUTE FOR COOPERATION  
ON AGRICULTURE (IICA)**

**EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE  
YEAR ENDED DECEMBER 31, 2002**  
(Stated in United States Dollars)

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<b>Source</b>	<b>Amount</b>
<b>b. OTHER INSTITUTIONS AND GOVERNMENTS</b>	
British High Commission	US\$ 74,721
Central American Bank For Economic Integration	2,396,624
Deustche Gesellschaft Fur Technische Zusammenarbeit Gmbh	245,667
European Economic Community	18,522
Food And Agriculture Organization of the United Nations	71,827
Global Forum on Agricultural Research	110,160
Government of the Republic of China	572,939
Government of Netherlands	755,123
Government of Japan	1,527,840
Inter-American Development Bank	14,804,623
International Center for Forestry Research	66,673
International Center for Tropical Agriculture	120,500
International Fund for Agricultural Development	3,490,047
Swiss Government	282,193
W.K. Kellogg Foundation	239,426
World Bank	8,868,831
Others	<u>43,254</u>
Sub-total – Other Institutions and Governments	<u>33,688,970<sup>(*)</sup></u>
Grand Total	<u>US\$127,191,960</u>

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<sup>(\*)</sup> Includes execution of approximately US\$24 million under agreements with Member States of IICA funded by these Institutions.