

## 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 statements of financial position of the Inter-American Institute for Cooperation on Agriculture (IICA) as of December 31, 2003 and 2002 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.

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.

In our report dated April 25, 2003, we expressed a qualified opinion on the 2002 financial statements in that IICA's management had not yet completed an analysis and justification of material reconciling items (credits of US\$599,198 and debits of US\$214,429 not corresponded by the Bank) shown in the bank accounts of IICA in Brazil, as well as certain related reconciling items that had been recorded as accounts receivable (US\$354,212) and accounts payable (US\$374,222) as of December 31, 2002. During the year ended December 31, 2003, IICA completed the analysis and clearing of the mentioned reconciling items, and the final effect on the statement of activities was not significant. Accordingly, our opinion on the 2002 financial statements, as presented herein, is no longer qualified and therefore, is different from that expressed in our previous report.

The 2002 financial statements of IICA were prepared in conformity with generally accepted accounting principles, except for the recognition of US\$453,895, as expenses of year 2002, which correspond to purchase commitments of goods and services not yet received at 2002 year-end. Such effects were not material to the financial statements of the year ended December 31, 2003. 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-I.

In our opinion, except for the effect of the matter discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of IICA as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

As of December 31, 2003, the balance of quotas due from Member States amounting to US\$17,473,795 includes US\$12,080,998 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, 2003 and 2002. 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 2003 basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the 2003 basic financial statements, taken as a whole.

The image shows the word "Deloitte" written in a stylized, cursive script. The letters are interconnected, with a large, flowing 'D' at the beginning and a long, sweeping tail that extends to the right.

April 30, 2004

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

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2003 AND 2002

(Stated in United States Dollars)

		December 31, 2003				December 31, 2002
ASSETS	Notes	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
CURRENT ASSETS:						
Cash	2	US\$31,267,359	US\$	US\$	US\$31,267,359	US\$34,491,346
Short-term investments	1e, 3	<u>22,718,205</u>			<u>22,718,205</u>	<u>15,421,660</u>
Sub-total		<u>53,985,564</u>			<u>53,985,564</u>	<u>49,913,006</u>
Receivables:						
Quotas from Member States		17,473,795			17,473,795	13,540,545
Payments made on behalf of contracts, agreements and grants		4,111,136			4,111,136	2,818,968
Due from Regular Fund to Trust Fund	1f	<u>(48,754,289)</u>	48,754,289			
Other		<u>1,445,603</u>			<u>1,445,603</u>	<u>1,642,820</u>
Sub-total		<u>(25,723,755)</u>	48,754,289		23,030,534	18,002,333
Less: Allowance for doubtful accounts	1h	<u>(200,635)</u>			<u>(200,635)</u>	<u>(248,177)</u>
Receivables - Net		<u>(25,924,390)</u>	<u>48,754,289</u>		<u>22,829,899</u>	<u>17,754,156</u>
Inventories	1g	69,428			69,428	103,514
Prepaid expenses		298,891			298,891	960,545
Other assets		<u>208,048</u>			<u>208,048</u>	<u>231,906</u>
Total current assets		28,637,541	48,754,289		77,391,830	68,963,127
PROPERTY, FURNITURE AND EQUIPMENT – Net	1i, 1j, 4	<u>4,811,571</u>		<u>8,713,171</u>	<u>13,524,742</u>	<u>13,450,167</u>
TOTAL		<u>US\$33,449,112</u>	<u>US\$48,754,289</u>	<u>US\$8,713,171</u>	<u>US\$90,916,572</u>	<u>US\$82,413,294</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses		US\$ 5,997,677	US\$	US\$	US\$ 5,997,677	US\$ 4,773,523
Purchase commitments	1l	284,046			284,046	453,895
Banking line of credit	5	1,500,000			1,500,000	
Other accruals		<u>546,349</u>			<u>546,349</u>	<u>856,160</u>
Total current liabilities		<u>8,328,072</u>			<u>8,328,072</u>	<u>6,083,578</u>
Provisions for:						
Repatriation of international professional personnel	1k	1,116,847			1,116,847	1,144,619
Recognition of years of service for international professional personnel	1k	1,878,959			1,878,959	1,998,201
Recognition of years of service for local personnel	1k	1,523,290			1,523,290	1,502,716
Severance indemnities for local personnel	1k	<u>3,855,194</u>			<u>3,855,194</u>	<u>3,583,790</u>
Total provisions		<u>8,374,290</u>			<u>8,374,290</u>	<u>8,229,326</u>
Total liabilities		<u>16,702,362</u>			<u>16,702,362</u>	<u>14,312,904</u>
NET ASSETS:						
Unrestricted funds:						
Regular Fund -						
General Subfund	1b	5,169,736			5,169,736	3,996,985
Working Subfund	1b	4,126,302			4,126,302	4,126,302
Institutional Net Rate Fund	1b	2,639,141			2,639,141	2,921,480
Fixed Assets Fund	1b	4,811,571			4,811,571	4,736,996
Temporarily Restricted Funds:						
Trust Funds	1b		48,754,289		48,754,289	43,592,622
Simón Bolívar Special Fund for Agricultural Development	1b					12,834
Permanently restricted fund-land	1b			<u>8,713,171</u>	<u>8,713,171</u>	<u>8,713,171</u>
Total net assets		<u>16,746,750</u>	<u>48,754,289</u>	<u>8,713,171</u>	<u>74,214,210</u>	<u>68,100,390</u>
TOTAL		<u>US\$33,449,112</u>	<u>US\$48,754,289</u>	<u>US\$8,713,171</u>	<u>US\$90,916,572</u>	<u>US\$82,413,294</u>
CONTINGENCIES	12					
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, 2003 AND 2002

(Stated in United States Dollars)

		2003				2002			
	Notes	Regular Fund- Quotas and Miscellaneous Income	Institutional Net Rate Fund	Trust Funds	Total	Regular Fund- Quotas and Miscellaneous Income	Institutional Net Rate Fund	Trust Funds	Total
REVENUES:									
Quotas from Member States	1c	US\$27,167,572			US\$27,167,572	US\$27,508,680			US\$27,508,680
Recovery of Institutional Net Rate (INR)	6		US\$5,303,006		5,303,006		US\$6,508,826		6,508,826
Temporarily restricted funds assets released from restrictions	1f			US\$103,381,839	103,381,839			US\$127,191,960	127,191,960
Commercial and miscellaneous operations - Net	7	<u>35,186</u>			<u>35,186</u>	<u>141,391</u>			<u>141,391</u>
Total revenues		<u>27,202,758</u>	<u>5,303,006</u>	<u>103,381,839</u>	<u>135,887,603</u>	<u>27,650,071</u>	<u>6,508,826</u>	<u>127,191,960</u>	<u>161,350,857</u>
EXPENSES:									
International professional personnel costs		9,516,767			9,516,767	10,683,734			10,683,734
Local personnel costs		6,911,738			6,911,738	7,126,220			7,126,220
Scholarships		538,250			538,250	306,476			306,476
IICA staff travel		1,643,404			1,643,404	986,608			986,608
Documents and supplies		679,143			679,143	563,738			563,738
Acquisition and/or rental of assets and other		703,710			703,710	614,242			614,242
Maintenance, communications and general services		2,023,990			2,023,990	1,450,560			1,450,560
Contracts, works, donations and subsidies		2,366,027			2,366,027	2,821,641			2,821,641
Annual allowance to CATIE	8	900,000			900,000	1,000,000			1,000,000
Annual allowance to Caribbean Agricultural Research and Development Institute (CARDI)		200,000			200,000	180,000			180,000
Miscellaneous		<u>546,978</u>			<u>546,978</u>	<u>892,749</u>			<u>892,749</u>
Sub-total of expenses related to quota budget and Working Subfund		<u>26,030,007</u>			<u>26,030,007</u>	<u>26,625,968</u>			<u>26,625,968</u>
Temporarily restricted funds assets released from restrictions	1f			103,381,839	103,381,839			127,191,960	127,191,960
Disbursements financed with funds from the Institutional Net Rate (INR)	6		<u>5,644,714</u>		<u>5,644,714</u>		<u>5,249,122</u>		<u>5,249,122</u>
Total expenses		<u>26,030,007</u>	<u>5,644,714</u>	<u>103,381,839</u>	<u>135,056,560</u>	<u>26,625,968</u>	<u>5,249,122</u>	<u>127,191,960</u>	<u>159,067,050</u>
Increase (decrease) in unrestricted net assets for the year, before excluding net expenses capitalized as property, furniture and equipment and including depreciation of the year		1,172,751	(341,708)		831,043	1,024,103	1,259,704		2,283,807
Exclusion of net capitalized expenses as property, furniture and equipment		<u>1,093,384</u>			<u>1,093,384</u>	<u>505,036</u>			<u>505,036</u>
Increase (decrease) in unrestricted net assets for the year, before including depreciation of the year		2,266,135	(341,708)		1,924,427	1,529,139	1,259,704		2,788,843
Inclusion of depreciation of the year		<u>(1,018,809)</u>			<u>(1,018,809)</u>	<u>(993,813)</u>			<u>(993,813)</u>
Increase (decrease) in unrestricted net assets		US\$ 1,247,326	US\$ (341,708)	US\$	US\$ 905,618	US\$ 535,326	US\$1,259,704	US\$	US\$ 1,795,030

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, 2003 AND 2002 (Stated in United States Dollars)

	Net Assets							Total
	Unrestricted				Temporarily Restricted		Permanently Restricted	
	Regular Fund General Subfund	Working Subfund	Institutional Net Rate Fund	Fixed Assets Fund	Trust Funds	Simón Bolívar Special Fund for Agricultural Development	Land	
BALANCE AT DECEMBER 31, 2001	US\$ 2,972,882	US\$ 4,126,302	US\$ 1,661,813	US\$ 5,225,773	US\$ 62,747,576	US\$12,834	US\$ 8,713,171	US\$ 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 as 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	3,996,985	4,126,302	2,921,480	4,736,996	43,592,622	12,834	8,713,171	68,100,390
Restricted contributions received from donors					107,251,338			107,251,338
Net assets released from restrictions					(103,381,839)			(103,381,839)
Increase (decrease) in unrestricted net assets for the year	2,266,135		(341,708)	(1,018,809)				905,618
Prior period adjustments			59,369					59,369
Capitalization of net disbursements as property, furniture and equipment	(1,093,384)			1,093,384				
Net assets released from restrictions						(12,834)		(12,834)
Net increase in disbursements made on behalf of contracts, agreements, and grants receivable from donors					1,292,168			1,292,168
BALANCE AT DECEMBER 31, 2003	<u>US\$ 5,169,736</u>	<u>US\$ 4,126,302</u>	<u>US\$ 2,639,141</u>	<u>US\$ 4,811,571</u>	<u>US\$ 48,754,289</u>	<u>US\$</u>	<u>US\$ 8,713,171</u>	<u>US\$ 74,214,210</u>

See accompanying notes to the financial statements.

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

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2003 AND 2002 (Stated in United States Dollars)

	2003	2002
<b>OPERATING ACTIVITIES:</b>		
Increase in unrestricted net assets	US\$ 905,618	US\$ 1,795,030
Plus: Items not requiring cash:		
Prior period adjustments	59,369	(37)
Depreciation	1,018,809	993,813
Allowance for doubtful accounts	(47,542)	
Cash provided by (used for) changes in:		
Quotas receivable from Member States	(3,933,250)	(896,439)
Other receivables	197,217	79,079
Inventories	34,086	12,568
Prepaid expenses	661,654	(586,476)
Other assets	23,858	46,893
Accounts payable and accrued expenses	1,224,154	2,965,570
Purchase commitments	(169,849)	3,895
Other accruals	(309,811)	708,670
Provisions	144,964	(100,813)
Net cash (used in) provided by operating activities	(190,723)	5,021,753
<b>INVESTING ACTIVITIES:</b>		
Additions to furniture and equipment	(1,341,009)	(628,411)
Disposal of furniture and equipment	247,625	123,375
Net cash used in investing activities	(1,093,384)	(505,036)
<b>FINANCING ACTIVITIES:</b>		
Restricted contributions received from donors	107,251,338	128,748,212
Disbursements made in the execution of trust funds	(103,394,673)	(149,549,592)
Banking line of credit	1,500,000	
Net cash provided by (used in) financing activities	5,356,665	(20,801,380)
NET INCREASE (DECREASE) IN CASH AND SHORT-TERM INVESTMENTS	4,072,558	(16,284,663)
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	49,913,006	66,197,669
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	US\$ 53,985,564	US\$ 49,913,006

See notes to financial statements.

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

## NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2003 AND 2002 (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 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 of 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, unless the IABA or the Executive Committee has approved it for specific purposes, 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 or the Executive Committee. This fund is constituted by the proceeds from the balances of uncommitted appropriations financed by quotas outstanding at each fiscal year-end and by additional funds specifically assigned by IABA or the Executive Committee.

- 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 by 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 comprised of the recovery of Institutional Net Rate (INR) in the management of projects executed by IICA with external resources.
- iv. Miscellaneous Income Fund** - This fund was created by the IABA through resolution IICA/IABA/Res.394 (XII-O/03) dated November 13, 2003, with the purpose of covering immediate financial needs of IICA. The Miscellaneous Income Fund is comprised of the balance of those proceeds from the General Subfund that are not committed in the Regular Fund budget at the end of the fiscal year in which they were received.

***Temporarily Restricted Funds:***

- i. Trust Funds** - The Trust Funds have been established according to contracts, agreements, and grants subscribed by 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 the agreement terms executed by IICA and the donors.
- 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. This fund was completely used during 2003.



***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 October 2, 2002, through Resolution IICA/CE/Res.372 (XXII-O/02), the Executive Committee approved the 2003 budget for the Regular Fund made up of Member State quotas and other miscellaneous income amounting to US\$27,167,572 and US\$2,832,428, respectively.  
  
The above resolution authorizes the Director General to transfer amounts between budget chapters not exceeding 10% of each chapter total.  
  
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 resources provided to IICA through the institutions and Member States related to contracts, agreements, and grants, for the purpose agreed upon. 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*** - IICA considers as short-term investments those highly liquid investments and mutual funds. 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, an asset account entitled “Due from Regular Fund to Trust Funds” is included.

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 composed primarily by office supplies 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, capitalizing 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 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 dependents. Likewise, local personnel are entitled to recognition of years of service 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.

Where IICA offices are located, local personnel may be entitled to severance indemnities according with applicable legislation in each country. IICA follows the policy of recording an accrual for severance indemnities to cover disbursements related therewith. Actual indemnity payments are charged to the provision.

1. ***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, 2003 and 2002, most of such accruals are related to commitments funded through the quotas budget.

- m. ***Net Assets - Restricted and Unrestricted Funds*** - Effective from December 31, 1995, IICA adopted the 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 activities (increase in unrestricted net assets), as determined at 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 Institutional Net Rate (INR)*** - 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, 2003 and 2002 includes funds held in separate bank accounts of US\$27,554,947 and US\$29,334,694 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 as follows:

	<b>2003</b>	<b>2002</b>
In Argentinean pesos:		
Time deposits, interest between 1% and 5.25% per annum (2002: 9% and 32% per annum)	US\$ 1,531,259	US\$ 824,450
In Mexican pesos:		
Money market funds, interest of 2.1% per annum	1,317,691	
In Brazilian reais:		
Overnight deposits, interest of 1.73% per annum	7,111,365	
In Costa Rican colones:		
Bonds and mutual funds, interest between 14.74% and 18.9% per annum		1,388,663
In Chilean pesos:		
Time deposits, interest between 1.82% and 2.92% per annum		143,943
In US dollars:		
Money market funds, time deposits, and mutual funds, interest between 0.51% and 4% per annum (2002: 1.05% and 6.38% per annum)	9,722,634	11,155,577
Overnight deposits, interest of 0.47% per annum (2002: 0.53% per annum)	2,847,539	303,149
Other currencies:		
Time deposits, real estate investment certificates, and other commercial paper, interest between 1.25% and 7% per annum (2002: 1.97% and 10.5% per annum)	187,717	1,605,878
Total	<u>US\$22,718,205</u>	<u>US\$15,421,660</u>

As of December 31, 2003 and 2002, short-term investments of US\$12,783,014 and US\$4,400,879 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, including their useful lives, is detailed as follows:

	2003	2002
Unrestricted:		
Buildings (25 years)	US\$ 5,205,177	US\$ 5,205,177
Vehicles (3 years)	1,783,351	1,749,575
Furniture and equipment (10 years)	<u>8,175,161</u>	<u>8,571,849</u>
Total unrestricted fixed assets	15,163,689	15,526,601
Less: Accumulated depreciation	<u>(10,352,118)</u>	<u>(10,789,605)</u>
Total unrestricted fixed assets, Net	4,811,571	4,736,996
Permanently restricted - Land	<u>8,713,171</u>	<u>8,713,171</u>
Total	<u>US\$13,524,742</u>	<u>US\$13,450,167</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, 2003, the net book value of such assets is US\$1,556,207 (2002: US\$1,740,884).

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. BANKING LINE OF CREDIT

In December 2003, IICA contracted a credit line of US\$4,000,000 with Bank of America N.A. which matures on November 30, 2004, is guaranteed by a promissory note and bears interest equal to Prime Rate. As of December 31, 2003, IICA has utilized US\$1,500,000 from this credit line for working capital purposes.

## 6. INCOME AND EXPENSES RELATED TO INSTITUTIONAL NET RATE (INR)

Income and expenses related to Institutional Net Rate (INR) are composed as follows:

	2003	2002
Income:		
Inter-American Development Bank (IDB)	US\$ 369,539	US\$ 510,656
Ministry of Agriculture, Livestock, and Food - (MAGA) - Guatemala	248,179	954,720
International Agricultural Development Fund	72,304	142,020
Ministry of Agriculture and Rural Development - Colombia	418,901	370,987
Secretariat of Agriculture, Livestock, Fisheries and Food - Argentina	361,265	171,895
Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) - Organization, Training, Technical Assistance and Research Project - Mexico	1,576,505	1,335,106
Institute for Agriculture and Livestock Development (INDAP) - Chile	48,858	135,527
Ministry of Livestock, Agriculture, and Fisheries - Reinforcement of Plant Health Directorate - Uruguay	156,230	229,741
Government of the United States of America	118,438	129,769
Ministry of National Integration - Brazil	75,917	128,676
Secretariat of Hydro-Infrastructure of the Ministry of National Integration - Brazil	60,022	144,196
World Bank	163,739	349,178
U.S. Agency for International Development (USAID)	169,016	187,231
Ministry of Agrarian Development - Brazil	228,790	113,002
Ministry of National Education - Colombia	64,684	102,567
Other institutions	<u>1,170,619</u>	<u>1,503,555</u>
Total	<u>US\$5,303,006</u>	<u>US\$6,508,826</u>

(Continued)

	<b>2003</b>	<b>2002</b>
Expenses:		
International professional personnel costs	US\$ 683,668	US\$ 650,949
Local personnel costs	2,001,674	2,440,841
Scholarships	44,185	59,369
IICA staff travel	242,344	207,572
Documents and materials	190,692	196,969
Acquisition and rental of property and equipment	439,754	219,995
Maintenance, communications, and general services	453,326	462,082
Contracts and works	1,498,917	899,069
Other costs	<u>90,154</u>	<u>112,276</u>
Total	<u>US\$5,644,714</u>	<u>US\$5,249,122</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. The purpose of this fund is to finance the additional costs incurred by the Institute in the execution of these contracts and to contribute to the institutional preinvestment activities.

## **7. COMMERCIAL AND MISCELLANEOUS OPERATIONS**

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

	<b>2003</b>	<b>2002</b>
Revenues:		
Interest earned from securities	US\$1,628,196	US\$1,609,118
Proceeds from equipment sales	171,298	84,670
Purchase discounts	387,750	172,556
Book sales commission	12,754	(394)
Sales of services	483,430	169,867
Other	<u>186,705</u>	<u>394,355</u>
Total revenues from commercial and miscellaneous income	<u>2,870,133</u>	<u>2,430,172</u>
Expenses:		
Local personnel costs	1,235,200	426,097
Scholarships	48,431	34,292
IICA staff travel	10,119	57,704
Documents and supplies	168,448	226,413
Acquisition and/or rental of fixed assets and other	381,366	232,241

(Continued)

	2003	2002
Maintenance, communications, and general Services	US\$ 256,101	US\$ 434,646
Contracts, works, donations, and subsidies	872,305	869,521
Other costs	48,410	69,522
Miscellaneous	<u>3,639</u>	<u>150,392</u>
Sub-total	3,024,019	2,500,828
Exchange gains, net	<u>(189,072)</u>	<u>(212,047)</u>
Total expenses from commercial and miscellaneous activities	<u>2,834,947</u>	<u>2,288,781</u>
Excess of income over expenses	<u>US\$ 35,186</u>	<u>US\$ 141,391</u>

## 8. 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 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, 2003 and 2002, IICA contributed to CATIE in US\$900,000 and US\$1,000,000, respectively, in accordance with the approved allocation in the Program Budget.

## **9. 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 agreement terms.

As of December 31, 2003, management of IICA is not aware of any expenses not yet reimbursed, that would have been questioned or disallowed by the respective donors.

## **10. 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.

## **11. INACTIVE FUNDS**

The Inter-American Board of Agriculture (IABA) approved, through various resolutions, the establishment of the following funds. Nevertheless, as of December 31, 2003 these funds have not received yet any contributions and therefore, remain inactive.

- i. ***Patrimonial Fund*** - The purpose of this fund is to establish an endowment for the partial financing of IICA's 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 valuable goods tangible and intangible. Capital Assets shall also include that portion of the Fund's annual income allocated to increase and maintain the value of its Capital Assets. Sixty percent of the Fund's net annual income shall be allocated to strengthening the Regular Fund budget of the Institute; and the remainder shall 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.

## 12. CONTINGENCIES

As of December 31, 2003, there are various litigation cases in which IICA is a party, filed through its Offices in Brazil, Colombia, Guatemala, Ecuador, Nicaragua, Panamá, Uruguay and Venezuela. These litigations are primarily labor lawsuits, are in different procedural stages, and the amounts claimed are approximately US\$390,000, 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, 2003, include an adequate provision to cover potential losses from the mentioned litigations.

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

**SUPPLEMENTARY FINANCIAL INFORMATION**

**AS OF DECEMBER 31, 2003**

# INDEX

## Enclosure

1. Statement of movements of Member State quotas receivable
2. Quota budget and expenses by chapter
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, 2003**  
(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			Years Owing	Notes
			Prior years	Current year	Total	Prior years	Current year	Total		
Antigua & Barbuda	US\$ 16,506	US\$ 5,502	US\$ 12,000		US\$ 12,000	US\$ 4,506	US\$ 5,502	US\$ 10,008	1.81	
Argentina	3,447,925	1,347,925	100,000		100,000	3,347,925	1,347,925	4,695,850	3.48	1)
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	6,346,613	2,351,992	627,386		627,386	5,719,227	2,351,992	8,071,219	3.43	
Canada		3,399,881		3,399,881	3,399,881					
Colombia	235,972	258,582	230,353		230,353	5,619	258,582	264,201	1.02	
Costa Rica	42,576	35,761	27,360		27,360	15,216	35,761	50,977	1.43	
Chile		148,547		45,000	45,000		103,547	103,547	0.70	
Dominica		5,502					5,502	5,502	1	
Dominican Republic	52,280	49,516	52,280	1,891	54,171		47,625	47,625	0.65	
Ecuador	227,195	49,516	227,195	17,421	244,616		32,095	32,095		
El Salvador		19,256		19,256	19,256					
Grenada	(1,006)	8,253		7,247	7,247	(1,006)	1,006			
Guatemala	17,784	35,761	17,783	9,850	27,633	1	25,911	25,912	0.72	
Guyana	(51)	5,502				(51)	5,502	5,451	0.99	
Haití	38,512	19,256	19,256		19,256	19,256	19,256	38,512	2	
Honduras	(5,609)	19,256		19,427	19,427	(5,609)	(171)	(5,780)		
Jamaica		49,516		49,516	49,516					
Mexico		1,672,528		1,672,528	1,672,528					
Nicaragua	193,263	19,256				193,263	19,256	212,519	11.15	1)
Panama		35,761		35,761	35,761					
Paraguay	168,253	49,516	33,428		33,428	134,825	49,516	184,341	3.72	
Peru	676,716	112,786	102,506		102,506	574,210	112,786	686,996	6.09	
Saint Kitts & Nevis		5,502		5,502	5,502				0.96	
Saint Vincent and the Grenadines		5,502		5,502	5,502					
Saint Lucia		8,253		8,253	8,253					
Suriname	38,512	19,256				38,512	19,256	57,768	3	
Trinidad & Tobago		49,516		49,516	49,516					
United States of America	(147)	16,359,412		16,359,265	16,359,265	(147)	147			
Uruguay	214,569	71,523	10,000		10,000	204,569	71,523	276,092	3.86	1)
Venezuela	1,830,682	880,278				1,830,682	880,278	2,710,960	3.08	
	<u>US\$13,540,545</u>	<u>US\$27,167,572</u>	<u>US\$1,459,547</u>	<u>US\$21,774,775</u>	<u>US\$23,234,322</u>	<u>US\$12,080,998</u>	<u>US\$5,392,797</u>	<u>US\$17,473,795</u>		

1) In accordance with resolution No.392, the Member State has presented a payment plan.

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

**QUOTA BUDGET AND EXPENSES BY CHAPTER  
YEAR ENDED DECEMBER 31, 2003  
(Stated in United States Dollars)**

	Budget	Expenses	<b>(Over) under execution</b>	
			<b>Amount</b>	<b>Percentage</b>
<b>CHAPTER 1: DIRECT TECHNICAL COOPERATION SERVICES</b>				
Trade and Agribusiness Development	US\$ 5,730,800	US\$ 4,950,107	US\$ 780,693	86.38%
Technology and Innovation	4,265,500	4,248,199	17,301	99.59%
Agricultural Health and Food Safety	4,121,000	3,912,962	208,038	94.95%
Sustainable Rural Development	4,761,000	4,762,893	(1,893)	100.04%
Education and Training	2,834,900	2,692,415	142,485	94.97%
Information and Communication	<u>2,732,600</u>	<u>2,781,271</u>	<u>(48,671)</u>	<u>101.78%</u>
Total Chapter 1	<u>24,445,800</u>	<u>23,347,847</u>	<u>1,097,953</u>	<u>95.51%</u>
<b>CHAPTER 2: MANAGEMENT COSTS</b>				
Office of the Director General	887,100	837,906	49,194	94.45%
Directorate of Administration and Finance	<u>902,000</u>	<u>893,959</u>	<u>8,041</u>	<u>99.11%</u>
Total Chapter 2	<u>1,789,100</u>	<u>1,731,865</u>	<u>57,235</u>	<u>96.80%</u>
<b>CHAPTER 3: GENERAL COSTS AND PROVISIONS</b>				
Governing Bodies	412,000	323,485	88,515	78.52%
Insurance	206,000	290,956	(84,956)	141.24%
Pensions	190,600	213,504	(22,904)	112.02%
OAS Administrative Tribunal	25,800	24,050	1,750	93.22%
External Audit	<u>98,300</u>	<u>98,300</u>		<u>100.00%</u>
Total Chapter 3	<u>932,700</u>	<u>950,295</u>	<u>(17,595)</u>	<u>101.89%</u>
<b>TOTAL</b>	<u><b>US\$27,167,600</b></u>	<u><b>US\$26,030,007</b></u>	<u><b>US\$1,137,593</b></u>	<u><b>95.81%</b></u>

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

## EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE YEAR ENDED DECEMBER 31, 2003

(Stated in United States Dollars)

	Source	Amount
a.	<b>MEMBER STATES</b>	
	Argentina	US\$ 7,012,771
	Bolivia	328,754
	Brazil	11,068,876
	Canada	96,707
	Chile	1,026,710
	Colombia	10,913,425
	Costa Rica	362,778
	Ecuador	1,175,355
	El Salvador	1,478,728
	Guatemala	7,942,038
	Guyana	4,978
	Haiti	14,226
	Honduras	297,444
	Jamaica	161,458
	Mexico	21,283,917
	Nicaragua	66,371
	Organization of Eastern Caribbean States	62,496
	Panama	2,252,510
	Paraguay	700,968
	Peru	318,886
	Suriname	125,491
	Trinidad and Tobago	8,864
	United States of America	5,764,876
	Uruguay	2,254,747
	Venezuela	<u>195,761</u>
	Sub-total - Member States	<u>74,919,135</u>

(Continued)

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

## EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE YEAR ENDED DECEMBER 31, 2003 (Stated in United States Dollars)

Source	Amount
<b>b. OTHER INSTITUTIONS AND GOVERNMENTS</b>	
Central American Bank For Economic Integration	US\$ 3,324,724
Deutsche Gesellschaft Fur Technische Zusammenarbeit Gmbh	174,705
European Economic Community	44,284
Food and Agriculture Organization of the United Nations	9,833
Government of Japan	150,589
Government of Netherlands	499,933
Government of Switzerland	428,000
Government of the Republic of China	201,102
Inter-American Development Bank	13,786,870
International Center for Development and Research	153,847
International Center for Forestry Research	71,974
International Center for Tropical Agriculture	59,494
International Fund for Agricultural Development	2,093,476
International Institute for Land Reclamation and Improvement	63,807
Technical Center for Agricultural Development and Netherlands Cooperation	21,455
United Nations Educational, Scientific and Cultural Organization	68,858
W.K. Kellogg Foundation	339,174
World Bank	6,910,305
Others	60,274
Sub-total - Other Institutions and Governments	<u>28,462,704</u>
Grand total	<u>US\$103,381,839</u>

\* \* \* \* \*