

INDEPENDENT AUDITORS' REPORT

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

Report on the financial statements

We have audited the accompanying financial statements of the Inter-American Institute for Cooperation on Agriculture (IICA), which comprise the statements of financial position as at December 31, 2009 and 2008 and the statements of activities of unrestricted net assets, changes in net assets, and of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting principles for non-profit organizations described in Note 1b. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IICA as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in accordance with the generally accepted accounting principles for non-profit organizations described in Note 1b.

Report on supplementary information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of IICA as of December 31, 2009 and 2008. 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 2008 basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the 2009 basic financial statements, taken as a whole.

Deloitte

April 27, 2010

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008
(Stated in United States Dollars)**

	Notes	December 31, 2009			December 31, 2008	
		Unrestricted	Temporarily Restricted	Permanently Restricted		Total
ASSETS						
CURRENT ASSETS:						
Cash	1e, 2	US\$ 38,379,934			US\$ 38,379,934	US\$ 41,413,099
Cash equivalents	1e, 3	<u>77,078,874</u>			<u>77,078,874</u>	<u>63,120,361</u>
Sub-total		<u>115,458,808</u>			<u>115,458,808</u>	<u>104,533,460</u>
RECEIVABLES:						
Quotas from Member States		2,326,317			2,326,317	2,276,524
Payments made on behalf of contracts, agreements and grants		1,730,374			1,730,374	743,099
Due from Regular Fund to Trust Fund	1f	(80,557,713)	US\$80,557,713			
Other		<u>139,888</u>			<u>139,888</u>	<u>239,877</u>
Sub-total		(76,361,134)	80,557,713		4,196,579	3,259,500
LESS: Allowance for doubtful accounts	1h	<u>(260,948)</u>			<u>(260,948)</u>	<u>(279,181)</u>
Receivables - net		<u>(76,622,082)</u>	<u>80,557,713</u>		<u>3,935,631</u>	<u>2,980,319</u>
INVENTORIES	1g	90,126			90,126	75,663
PREPAID EXPENSES		549,882			549,882	964,728
OTHER ASSETS		<u>146,231</u>			<u>146,231</u>	<u>145,928</u>
Total current assets		39,622,965	80,557,713		120,180,678	108,700,098
PROPERTY, FURNITURE AND EQUIPMENT - Net	1i, 1j, 4	<u>2,680,900</u>		<u>US\$8,713,171</u>	<u>11,394,071</u>	<u>11,856,669</u>
TOTAL ASSETS		<u>US\$ 42,303,865</u>	<u>US\$80,557,713</u>	<u>US\$8,713,171</u>	<u>US\$131,574,749</u>	<u>US\$120,556,767</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses		US\$ 2,991,242			US\$ 2,991,242	US\$ 5,024,242
Purchase commitments	1l	124,343			124,343	397,455
Other accruals		<u>389,733</u>			<u>389,733</u>	<u>401,832</u>
Total current liabilities		<u>3,505,318</u>			<u>3,505,318</u>	<u>5,823,529</u>
PROVISIONS FOR:						
Repatriation and transfer of international professional personnel	1k	1,633,380			1,633,380	1,632,497
Recognition of years of service for international professional personnel	1k	1,544,680			1,544,680	1,653,395
Recognition of years of service for local personnel	1k	1,973,195			1,973,195	1,873,359
Other termination benefits	1k	<u>9,472,688</u>			<u>9,472,688</u>	<u>7,786,608</u>
Total provisions		<u>14,623,943</u>			<u>14,623,943</u>	<u>12,945,859</u>
Total liabilities		<u>18,129,261</u>			<u>18,129,261</u>	<u>18,769,388</u>
NET ASSETS:						
Unrestricted funds:						
Regular fund:						
General subfund	1b	4,258,001			4,258,001	4,979,608
Working subfund	1b	4,084,172			4,084,172	4,084,172
Miscellaneous income fund	1b	10,948,150			10,948,150	10,773,080
Institutional net rate fund	1b	2,203,381			2,203,381	3,367,532
Fixed assets fund	1b	2,680,900			2,680,900	3,143,498
Temporarily restricted funds:						
Trust funds	1b		US\$80,557,713		80,557,713	66,726,318
Permanently restricted fund - Land	1b			US\$8,713,171	8,713,171	8,713,171
Total net assets		<u>24,174,604</u>	<u>80,557,713</u>	<u>8,713,171</u>	<u>113,445,488</u>	<u>101,787,379</u>
TOTAL LIABILITIES AND NET ASSETS		<u>US\$ 42,303,865</u>	<u>US\$80,557,713</u>	<u>US\$8,713,171</u>	<u>US\$131,574,749</u>	<u>US\$120,556,767</u>
CONTINGENCIES	11	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</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, 2009 AND 2008

(Stated in United States Dollars)

	Notes	2009				2008					
		Regular Fund Quotas	Miscellaneous Income Fund	Institutional Net Rate Fund	Trust Funds	Total	Regular Fund Quotas	Miscellaneous Income Fund	Institutional Net Rate Fund	Trust Funds	Total
REVENUES:											
Quotas from Member States	1c	US\$ 27,227,816				US\$ 27,227,816	US\$27,227,816				US\$ 27,227,816
Recovery of Institutional Net Rate (INR)	5			US\$ 8,695,542		8,695,542			US\$10,388,743		10,388,743
Temporarily restricted funds assets released from restrictions	1f				US\$154,379,675	154,379,675				US\$206,313,881	206,313,881
Commercial and miscellaneous operations - Net	6		US\$175,070			175,070		US\$2,936,902			2,936,902
Total revenues		<u>27,227,816</u>	<u>175,070</u>	<u>8,695,542</u>	<u>154,379,675</u>	<u>190,478,103</u>	<u>27,227,816</u>	<u>2,936,902</u>	<u>10,388,743</u>	<u>206,313,881</u>	<u>246,867,342</u>
EXPENSES:											
International professional personnel costs		10,450,491				10,450,491	10,495,759				10,495,759
Local personnel costs		8,206,562				8,206,562	8,086,153				8,086,153
Training		1,268,972				1,268,972	931,091				931,091
Official travel		1,482,705				1,482,705	1,476,232				1,476,232
Documents and supplies		562,697				562,697	540,057				540,057
Acquisition and/or rental of assets and other		693,591				693,591	460,774				460,774
Maintenance, communications and general services		1,555,371				1,555,371	1,704,176				1,704,176
Service contracts and transfers		1,862,042				1,862,042	1,664,040				1,664,040
Annual allowance to CATIE	7	1,000,000				1,000,000	1,000,000				1,000,000
Annual allowance to Caribbean Agricultural Research and Development Institute (CARDI)		194,601				194,601	177,497				177,497
Miscellaneous		672,391				672,391	567,000				567,000
Sub-total of expenses related to quota budget and working subfund		<u>27,949,423</u>				<u>27,949,423</u>	<u>27,102,779</u>				<u>27,102,779</u>
Temporarily restricted funds assets released from restrictions	1f				154,379,675	154,379,675				206,313,881	206,313,881
Disbursements financed with funds from the Institutional Net Rate (INR)	5			10,639,741		10,639,741			11,372,623		11,372,623
Total expenses		<u>27,949,423</u>		<u>10,639,741</u>	<u>154,379,675</u>	<u>192,968,839</u>	<u>27,102,779</u>		<u>11,372,623</u>	<u>206,313,881</u>	<u>244,789,283</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		(721,607)	175,070	(1,944,199)		(2,490,736)	125,037	2,936,902	(983,880)		2,078,059
Exclusion of net capitalized expenses as property, furniture and equipment		637,942				637,942	982,353				982,353
Prior period adjustments				780,048		780,048					
Increase in unrestricted net assets for the year, before including depreciation of the year		(83,665)	175,070	(1,164,151)		(1,072,746)	1,107,390	2,936,902	(983,880)		3,060,412
Inclusion of depreciation of the year		(1,100,540)				(1,100,540)	(1,100,313)				(1,100,313)
Increase (decrease) in unrestricted net assets		<u>US\$ (1,184,205)</u>	<u>US\$175,070</u>	<u>US\$ (1,164,151)</u>	<u>US\$ _____</u>	<u>US\$ (2,173,286)</u>	<u>US\$ 7,077</u>	<u>US\$2,936,902</u>	<u>US\$ (983,880)</u>	<u>US\$ _____</u>	<u>US\$ 1,960,099</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, 2009 AND 2008

(Stated in United States Dollars)

	Net Assets							
	Regular Fund		Unrestricted			Temporarily Restricted	Permanently Restricted	Total
	General Subfund	Working Subfund	Miscellaneous Income Fund	Institutional Net Rate Fund	Fixed Assets Fund	Trust Funds	Land	
BALANCE AT DECEMBER 31, 2007	US\$4,863,607	US\$4,075,136	US\$ 7,836,178	US\$ 4,301,335	US\$ 3,261,458	US\$ 76,211,144	US\$8,713,171	US\$ 109,262,029
Restricted contributions received from donors						196,952,657		196,952,657
Net assets released from restrictions						(206,313,881)		(206,313,881)
Increase (decrease) in unrestricted net assets for the year	1,107,390		2,936,902	(983,880)	(1,100,313)			1,960,099
Prior period adjustments				50,077				50,077
Capitalization of net disbursements as property, furniture and equipment	(982,353)				982,353			
Transfer from the General Subfund to the Working Subfund	(9,036)	9,036						
Net decrease in disbursements made on behalf of contracts, agreements, and grants receivable from donors						(123,602)		(123,602)
BALANCE AT DECEMBER 31, 2008	4,979,608	4,084,172	10,773,080	3,367,532	3,143,498	66,726,318	8,713,171	101,787,379
Restricted contributions received from donors						167,223,795		167,223,795
Net assets released from restrictions						(154,379,675)		(154,379,675)
Increase (decrease) in unrestricted net assets for the year	(83,665)		175,070	(1,944,199)	(1,100,540)			(2,953,334)
Prior period adjustments				780,048				780,048
Capitalization of net disbursements as property, furniture and equipment	(637,942)				637,942			
Net decrease in disbursements made on behalf of contracts, agreements, and grants receivable from donors						987,275		987,275
BALANCE AT DECEMBER 31, 2009	<u>US\$4,258,001</u>	<u>US\$4,084,172</u>	<u>US\$10,948,150</u>	<u>US\$ 2,203,381</u>	<u>US\$ 2,680,900</u>	<u>US\$ 80,557,713</u>	<u>US\$8,713,171</u>	<u>US\$ 113,445,488</u>

See accompanying notes to the financial statements.

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008

(Stated in United States Dollars)

	2009	2008
OPERATING ACTIVITIES:		
Increase (decrease) in unrestricted net assets	US\$ (2,953,334)	US\$ 1,960,099
Plus: Items not requiring cash:		
Prior period adjustments	780,048	50,077
Depreciation	1,100,540	1,100,313
Allowance for uncollectible accounts	(18,233)	
Cash provided by (used in) changes in:		
Quotas receivable from Member States	(49,793)	3,589,901
Other receivables	99,989	1,321,551
Inventories	(14,463)	(12,385)
Prepaid expenses	414,846	42,035
Other assets	(303)	15,437
Accounts payable and accrued expenses	(2,033,000)	2,033,448
Purchase commitments	(273,112)	(298,702)
Other accruals	(12,099)	16,774
Provisions	<u>1,678,084</u>	<u>240,232</u>
Net cash (used in) provided by operating activities	<u>(1,280,830)</u>	<u>10,058,780</u>
INVESTING ACTIVITIES:		
Additions to furniture and equipment	(747,959)	(1,377,022)
Disposal of furniture and equipment	<u>110,017</u>	<u>394,669</u>
Net cash used in investing activities	<u>(637,942)</u>	<u>(982,353)</u>
FINANCING ACTIVITIES:		
Restricted contributions received from donors	167,223,795	196,952,657
Disbursements made in the execution of trust funds	<u>(154,379,675)</u>	<u>(206,313,881)</u>
Net cash provided by (used in) financing activities	<u>12,844,120</u>	<u>(9,361,224)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	10,925,348	(284,797)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>104,533,460</u>	<u>104,818,257</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>US\$ 115,458,808</u>	<u>US\$ 104,533,460</u>

See accompanying notes to the financial statements.

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2009 AND 2008 (Stated in United States Dollars)

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. ***Accounting Policies and Funds Managed*** - The financial statements were prepared in conformity with the accounting policies adopted by the IABA, and are presented according to the American Institute of Certified Public Accountants (AICPA)'s fund accounting policies for not-for-profit organizations. 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

- **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 is recorded in this

fund, unless the IABA or the Executive Committee has approved it for specific purposes. 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 No.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.
- **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 and 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.
- **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.
- **Miscellaneous Income Fund** - This fund was created by the IABA through resolution IICA/IABA/Res.400 (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

- **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.

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:

- **Regular Fund** - On July 27, 2007, through Resolution IICA/IABA/ Res.433 (XIV-O/07), IABA approved the 2009 and 2008 budget for the Regular Fund made up of Member State quotas and other miscellaneous income amounting in 2009 to US\$27,227,816 and US\$4,100,000, respectively and amounting in 2008 to US\$27,227,816 and US\$4,100,000, respectively.

The 2009 and 2008 miscellaneous income corresponds to US\$3,600,000 of budgeted income for that year and transfers of US\$500,000 from the available balance of the Miscellaneous Income Fund.

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 detailed budget, actual expenses and respective over/under execution.

- **Special Budget** - Through resolution IICA/IABA/Res.434 (XIV-O/07) dated July 27, 2007, IABA approved a special budget allocation of US\$1,000,000 for the period 2009-2008, financed through the funds received by the General Subfund from overdue quotas collected by IICA.
- **Trust Funds** - Through resolution IICA/IABA/Res.254 (VIII-O/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 United States Dollars (US\$) and the financial statements are expressed in such currency. Assets and liabilities in currencies of the countries where IICA's activities are developed are translated into U.S. Dollars primarily at official 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. **Cash and Cash Equivalents** - Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in 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 recorded as restricted contributions received from donors within 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 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 to date or are reimbursable, the resulting difference is recorded as an account receivable from the respective donor.

- g. **Inventories** - Inventories are composed primarily of 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 transfer, repatriation and recognition of years of service of international professional personnel. Such expenses are computed based on years of service of each official and the number of his/her dependents. Likewise, the national personnel may be entitled to recognition of years of service once they leave IICA, except in those countries where local laws require either payment of

fourteen or more salaries per year, or payment of severance equal to half or more of monthly salaries per year of service, in the event of voluntary or involuntary departure.

Where IICA offices are located, local personnel may be entitled to termination benefits according with applicable legislation in each country. IICA follows the policy of recording an accrual for severance indemnities to cover future disbursements for this concept. Additionally, a provision for termination benefits under various contractual agreements is recorded based upon the different national labor legislations. Actual termination 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.

- m. ***Net Assets - Restricted and Unrestricted Funds*** - Since 1995, IICA adopted the accounting standards contained in the Statement of Financial Accounting Standards (SFAS) Nos.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 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, 2009 and 2008 includes funds held in separate bank accounts of US\$35,968,879 and US\$34,436,731, respectively, which may only be used to cover expenditures related to contracts signed by IICA and the respective donors.

3. CASH EQUIVALENTS

Cash equivalents are as follows:

	2009	2008
In Argentinean pesos:		
Time deposits, interest of 16% per annum		US\$ 105,707
In Mexican pesos:		
Money market funds, interest of 3.32% per annum (2008: 1.55% per annum)	US\$ 4,317,606	3,568,307
In Brazilian reais:		
Money market funds, interest between 9.65% and 10.24% per annum (2008: 12.1% and 14.4% per annum)	26,734,447	17,267,600
In Peruvian soles:		
Time deposits, interest between 1.15% and 1.19% per annum	2,023,521	
In Chilean pesos:		
Money market funds, interest between 0.03% and 1% per annum (2008: 0.53% and 0.72% per annum)	56,653	151,610
In U.S. dollars:		
Overnight deposits, interest of 0.05% per annum (2008: 0.09% per annum)	21,602,845	3,741,442
Time deposits and mutual funds, interest between 0.55% and 4% per annum (2008: 0.45% and 3.82% per annum)	<u>22,343,802</u>	<u>38,285,695</u>
Total	<u>US\$77,078,874</u>	<u>US\$63,120,361</u>

As of December 31, 2009 and 2008, cash equivalents of US\$50,790,594 and US\$24,344,141, respectively, are restricted to cover expenditures of contracts signed by IICA and the respective donors.

As of December 31, 2009, approximately 57% of the cash equivalents were placed with Bank of America, one of the largest banks of the United States of America. The remaining 43% was primarily placed with leading banks in Brazil, Mexico, Perú and Chile.

4. **PROPERTY, FURNITURE AND EQUIPMENT - NET**

The property, furniture and equipment, including their useful lives, are detailed as follows:

	2009	2008
Unrestricted:		
Buildings (25 years)	US\$ 5,205,177	US\$ 5,205,177
Vehicles (4 years)	2,363,400	2,557,334
Furniture and equipment (3, 4, 5 and 10 years)	<u>5,404,992</u>	<u>5,622,737</u>
Total unrestricted fixed assets	12,973,569	13,385,248
Less: Accumulated depreciation	<u>(10,292,669)</u>	<u>(10,241,750)</u>
Total unrestricted fixed assets - net	2,680,900	3,143,498
Permanently restricted - land	<u>8,713,171</u>	<u>8,713,171</u>
Total	<u>US\$ 11,394,071</u>	<u>US\$11,856,669</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, 2009, the net book value of such assets is US\$455,402 (2008: US\$639,078).

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 INSTITUTIONAL NET RATE (INR)**

On October 13, 1997, through Resolution IICA/IABA/Res.310 (IX-O/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 contracts and to contribute to the institutional pre-investment activities.

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

	2009	2008
Income:		
Ministry of Agriculture, Livestock, and Food - (MAGA) - Guatemala		US\$ 1,447,541
Ministry of Agriculture and Rural Development - Colombia	US\$ 3,023,429	3,267,327
Ministry of Agriculture and Livestock Ecuador	223,483	20,165
Secretariat of Agriculture, Livestock, Fisheries and Food - Argentina	448,283	342,463
Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) - Mexico	1,656,078	1,764,287
Ministry of Agriculture - Peru	188,123	320,435
Government of the United States of America	263,119	425,466
Ministry of Agriculture, Livestock and Procurement - Brazil	64,874	206,705
Secretariat of Hydro - Infrastructure of the Ministry of National Integration - Brazil	511,935	511,372
Ministry of Agrarian Development - Brazil	616,985	793,882
Secretariat of Agriculture and Livestock-Honduras	520,437	645,286
Brazilian Institute of Environment and Renewable Natural Resources	163,820	
Inter-American Development Bank	254,548	53,940
Central American Integration System of Agricultural Technology	142,469	79,033
Other institutions	<u>617,959</u>	<u>510,841</u>
Total	<u>US\$ 8,695,542</u>	<u>US\$10,388,743</u>
Expenses:		
International professional personnel costs	US\$ 869,778	US\$ 1,200,730
Local personnel costs	5,087,038	4,751,819
Training	421,074	653,010
Official travel	437,914	415,222
Documents and supplies	345,683	227,198
Acquisition and / or rental of assets and other	148,875	567,050
Maintenance, communications and general services	1,553,436	1,226,631
Service contracts and transfers	1,671,952	2,209,613
Other costs	<u>103,991</u>	<u>121,350</u>
Total	<u>US\$10,639,741</u>	<u>US\$11,372,623</u>

6. COMMERCIAL AND MISCELLANEOUS OPERATIONS

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

	2009	2008
Revenues:		
Interest earned from cash equivalents	US\$3,278,133	US\$5,322,058
Proceeds from equipment sales	122,437	158,105
Purchase discounts	296,887	1,147,796
Book sales commission	1,216	1,987
Sales of services	130,303	81,553
Other	244,768	511,048
Miscellaneous	<u>13,245</u>	<u>35,504</u>
Total revenues from commercial and miscellaneous income	<u>4,086,989</u>	<u>7,258,051</u>
Expenses:		
Local personnel costs	1,067,337	951,274
Training	163,468	202,425
Official travel	402,042	436,908
Documents and supplies	395,117	316,459
Acquisition and / or rental of assets and other	273,049	374,714
Maintenance, communications and general services	968,569	976,537
Service contracts and transfers	582,327	690,369
Other costs	<u>135,013</u>	<u>143,903</u>
Sub-total	3,986,922	4,092,589
Exchange losses - net	<u>(75,003)</u>	<u>228,560</u>
Total expenses from commercial and miscellaneous activities	<u>3,911,919</u>	<u>4,321,149</u>
Excess of income over expenses	<u>US\$ 175,070</u>	<u>US\$2,936,902</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 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, 2009 and 2008, IICA contributed to CATIE US\$1,000,000 per annum 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 agreement terms.

As of December 31, 2009, 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 Inter-American Board of Agriculture (IABA) approved, through various resolutions, the establishment of the following funds. Nevertheless, as of December 31, 2009 these funds have not received yet any contributions and therefore, remain inactive.

- a. ***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.

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.

- b. ***IICA Associates Trust Fund*** - In Resolution IICA/IABA/Res.312 (IX-O/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, 2009, IICA is a party in various lawsuits filed through its Offices. These lawsuits deal basically with labor and/or commercial complaints related primarily to projects and are in different procedural stages. The amounts being sought by the claimants total approximately US\$688,000.

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, 2009, include a provision of US\$201,960 to cover potential losses from the mentioned litigations.

In 2009, the Colombian Government ordered the suspension of all disbursements for and the signing of new contracts related to an agricultural subsidy program known as Agro Ingreso Seguro (AIS), administered by IICA on behalf of the Ministry of Agriculture and Rural Development (MADR). This decision was the immediate result of public allegations to the effect that approximately 6% of the subsidies (out of US\$150 million in subsidies) had been allocated to certain high-income beneficiaries.

IICA's responsibilities under this program are limited to requesting project proposals from interested applicants, through an advertising campaign; evaluating the technical merits of the proposals received, for subsequent approval by MADR officials and IICA's Representative; as well as overseeing the payment of subsidies in accordance with the contracts signed between IICA and the applicants. Nothing in the underlying Colombia legislation or subsequent MADR regulations and guidelines excludes any person or entity from presenting qualified projects and receiving the corresponding subsidies, based on the level of income.

As a result of public and media pressure, the Colombia Government could make claims arising from the administration of the AIS program. The most significant threat to date is the initiation of an administrative process within the MADR to declare IICA "in noncompliance". Should IICA be declared "in noncompliance", the MADR may execute against a performance bond of up to US\$20 million issued by a Colombian insurance company. If the conflict cannot be resolved amicably, would have to be settled via arbitration in compliance with the arbitration clause of the agreement. Even though, according to our lawyers, the claims of the government are not founded on facts and should not be upheld in law, the court costs for the parties should it go to arbitration could be several million dollars.

In addition, IICA may face other potential claims from the beneficiaries of the program whose projects were suspended. However, in recent conversations with those beneficiaries most affected, it appears unlikely that they will present any claims against IICA since, from their point of view, the Institute is one more victim of the regrettable developments that have led to this situation.

Lastly, contractors hired by IICA, who may be laid off from the program due to the suspension of the projects ordered by the Government, may present labor-related claims. The amounts of such claims cannot be predicted currently by the Administration.

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

SUPPLEMENTARY FINANCIAL INFORMATION

YEAR ENDED DECEMBER 31, 2009

INDEX

EXHIBIT

1. Statement of Movements of Member States Quotas Receivable
2. Program 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 STATES QUOTAS RECEIVABLE
YEAR ENDED DECEMBER 31, 2009**

(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\$ (498)	US\$ 6,602				US\$ (498)	US\$ 6,602	US\$ 6,104
Argentina		1,177,922		US\$ 1,177,922	US\$ 1,177,922			
Bahamas		23,107		44,289	44,289		(21,182)	(21,182) ⁽¹⁾
Barbados		22,007		22,007	22,007			
Belize		7,152		7,152	7,152			
Bolivia	19,256	16,505	US\$ 19,256		19,256		16,505	16,505
Brazil	1,923,086	2,097,812	1,923,086	1,002,900	2,925,986		1,094,912	1,094,912
Canada		3,785,469		3,785,469	3,785,469			
Colombia		221,995		221,995	221,995			
Costa Rica	55,569	41,263	55,569	28,392	83,961		12,871	12,871
Chile	157,350	305,897	152,949		152,949	4,401	305,897	310,298
Dominica		4,676		10,728	10,728		(6,052)	(6,052) ⁽¹⁾
Dominican Republic	47,803	45,389	2,414		2,414	45,389	45,389	90,778
Ecuador		45,389		45,389	45,389			
El Salvador		23,107		23,107	23,107			
Grenada		6,052		6,052	6,052			
Guatemala	6,167	41,263	6,167	41,263	47,430			
Guyana	196	6,052	196	5,680	5,876		372	372
Haiti	19,256	16,505	19,256	16,505	35,761			
Honduras		16,505		16,505	16,505			
Jamaica		44,839		44,839	44,839			
Mexico		1,791,640		1,791,640	1,791,640			
Nicaragua	44,172	16,505				44,172	16,505	60,677
Panama	(183)	35,761		35,578	35,578	(183)	183	
Paraguay	(1,702)	45,389		44,918	44,918	(1,702)	471	(1,231) ⁽¹⁾
Peru		121,863		121,863	121,863			
Saint Kitts & Nevis		6,052		6,052	6,052			
Saint Lucia		6,602					6,602	6,602
Saint Vincent & the Grenadines	6,052	6,052	6,052	6,052	12,104			
Suriname		16,505		16,505	16,505			
Trinidad & Tobago		49,516		49,516	49,516			
United States of America		16,359,412		16,359,412	16,359,412			
Uruguay		61,344		61,344	61,344			
Venezuela		755,663					755,663	755,663
Round		4						
Total	<u>US\$2,276,524</u>	<u>US\$27,227,816</u>	<u>US\$2,184,945</u>	<u>US\$24,993,074</u>	<u>US\$27,178,019</u>	<u>US\$91,579</u>	<u>US\$2,234,738</u>	<u>US\$2,326,317</u>

⁽¹⁾ Credit balances will be applied to next year's contribution.

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

PROGRAM BUDGET AND EXPENSES BY CHAPTER

YEAR ENDED DECEMBER 31, 2009

(Stated in United States Dollars)

	Budget	Expenses	(Over) Under Execution	
			Absolute	Percentage
CHAPTER 1: DIRECT TECHNICAL COOPERATION SERVICES:				
Trade and the competitiveness of agribusiness	US\$ 7,014,687	US\$ 6,922,210	US\$ 92,477	98.68
Technology and innovation	6,036,778	5,972,985	63,793	98.94
Agricultural health and food safety	6,030,245	5,970,041	60,204	99.00
Development of rural communities	4,397,462	4,352,265	45,197	98.97
Sustainable management of natural resources and the environment	1,998,855	2,073,622	(74,767)	103.74
Repositioning of agriculture and rural life and renewal of their institutional framework	<u>2,460,380</u>	<u>2,567,621</u>	<u>(107,241)</u>	<u>104.36</u>
Total Chapter 1	<u>27,938,407</u>	<u>27,858,744</u>	<u>79,663</u>	<u>99.71</u>
CHAPTER 2: MANAGEMENT COSTS:				
Office of the Director General	649,041	639,759	9,282	98.57
Directorate of Administration and Finance	<u>726,260</u>	<u>668,148</u>	<u>58,112</u>	<u>92.00</u>
Total Chapter 2	<u>1,375,301</u>	<u>1,307,907</u>	<u>67,394</u>	<u>95.10</u>
CHAPTER 3: GENERAL COSTS AND PROVISIONS:				
Governing Bodies	400,000	244,697	155,303	61.17
Insurance	320,000	385,454	(65,454)	120.45
Pensions	262,650	237,003	25,647	90.24
OAS Administrative Tribunal	25,000	24,050	950	96.20
External audit	95,500	95,500		100.00
Programme of Assistance in Emergencies		<u>9,367</u>	<u>(9,367)</u>	<u>100.00</u>
Total Chapter 3	<u>1,103,150</u>	<u>996,071</u>	<u>107,079</u>	<u>90.29</u>
CHAPTER 4: RENEWAL OF INFRASTRUCTURE AND EQUIPMENT:				
Renewal of infrastructure and equipment	<u>910,958</u>	<u>901,440</u>	<u>9,518</u>	<u>98.96</u>
Total Chapter 4	<u>910,958</u>	<u>901,440</u>	<u>9,518</u>	<u>98.96</u>
Total	<u>US\$31,327,816</u>	<u>US\$31,064,162</u>	<u>US\$ 263,654</u>	<u>99.16</u>

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

EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE

YEAR ENDED DECEMBER 31, 2009

(Stated in United States Dollars)

Source	Amount
a. Member States	
Argentina	US\$ 7,946,655
Bolivia	91,405
Brazil	19,880,502
Canada	1,505,662
Colombia	66,889,843
Costa Rica	731,284
Chile	327,769
Dominican Republic	182,288
Ecuador	5,212,699
El Salvador	1,873,997
Guatemala	186,607
Haiti	13,462
Honduras	12,602,431
Jamaica	20,000
Mexico	23,565,346
Nicaragua	73,099
Panama	25,868
Paraguay	720,905
Peru	4,056,520
Saint Lucia	25,867
United States of America	1,312,617
Uruguay	1,118,938
Venezuela	<u>165,945</u>
Sub-total - Member States	<u>148,529,709</u>
b. Other Institutions and Governments	
Andean Development Corporation	22,053
Biotechnology Industry Organization	9,320
Consultative Group on International Agricultural Research	54,980
CropLife International	24,699
European Union	795,540
Food and Agriculture Organization of the United Nations	38,739
Global Crop Diversity Trust	44,832

(Continued)

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE YEAR ENDED DECEMBER 31, 2009

(Stated in United States Dollars)

Source	Amount
Global Forum On Agricultural Research	US\$ 121,018
Inter-American Development Bank	153,572
International Center for Forestry Research	2,683
International Coffee Organization	172,684
International Federation of Organic Agriculture Movements	26,795
Market Information Organization of the Americas	147,494
Organization of American States	14,393
Oxfam International	17,456
Pan American Environmental Foundation	22,790
Southern Common Market	209,600
Spanish Agency for International Cooperation	712,551
Swiss Agency for Development and Cooperation	1,470,079
Technical Center for Agriculture and Rural Cooperation - Holland	119,782
The Travel Foundation Tobago	17,060
United Nations Development Programme	14,933
World Bank	1,372,009
World Food Programme	34,898
World Trade Organization	208,894
Others	<u>21,112</u>
Sub-total - Other Institutions and Governments	<u>5,849,966</u>
Grand total	<u>US\$154,379,675</u>

(Concluded)

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