

Deloitte & Touche y Co.
Herrero Villalta Building
Barrio Dent, San Pedro
3667-1000 San José, Costa Rica

Tel: (506) 253-2466
Fax: (506) 253-1841
www.dtcr.com



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of the Inter-American Institute for Cooperation on Agriculture (IICA) as of December 31, 2001 and 2000 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 General Directorate 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 General Directorate of IICA, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements of IICA have been prepared in conformity with generally accepted accounting principles, except for the recognition of approximately US\$450,000 and US\$1,300,000, as expenses of year 2001 and 2000, respectively, which correspond to purchase commitments of goods and services not yet received at year-end. This accounting practice is based on the regulations of the Inter-American Board of Agriculture and is incorporated into the Rules of the General Directorate and the financial rules, as indicated in Note 1-*l*.

In our opinion, except for the effects of the matter discussed in the above paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of IICA as of December 31, 2001 and 2000, and the results of its activities, changes in net assets, and cash flows for the years then ended, in conformity with generally accepted accounting principles.

As of December 31, 2001 and 2000, the balances of quotas due from Member States amounting to US\$12,644,106 and US\$14,663,528, respectively, include US\$3,783,876 and US\$2,486,184 in 2001 and 2000, respectively, 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, 2001 and 2000. 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 General Directorate of IICA. Such information has been subjected to the auditing procedures applied in the audit of the 2001 basic financial statements and, in our opinion, except for the effects over the Exhibits 2 and 3 of the matter discussed in the third paragraph, is fairly stated in all material respects, in relation to the 2001 basic financial statements, taken as a whole.

April 5, 2002

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2001 AND 2000

(Stated in United States Dollars)

ASSETS	Notes	December 31, 2001				December 31, 2000
		Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
CURRENT ASSETS:						
Cash	2	US\$ 46,586,167	US\$	US\$	US\$ 46,586,167	US\$ 33,308,108
Short-term investments	1e, 3	<u>19,611,502</u>			<u>19,611,502</u>	<u>12,277,093</u>
Sub-total		<u>66,197,669</u>			<u>66,197,669</u>	<u>45,585,201</u>
Receivables:						
Quotas from Member States		12,644,106			12,644,106	14,663,528
Payments made on behalf of contracts, agreements and grants		1,172,542			1,172,542	1,039,779
Due from Regular Fund to Trust Fund	1f	(62,747,576)	62,747,576			
Due from Regular Fund to the Simón Bolívar Special Fund for Agricultural Development	1f	(12,834)	12,834			
Other		<u>1,721,899</u>			<u>1,721,899</u>	<u>1,207,695</u>
Sub-total		<u>(47,221,863)</u>	<u>62,760,410</u>		<u>15,538,547</u>	<u>16,911,002</u>
Less: allowance for doubtful receivables	1h	<u>(248,177)</u>			<u>(248,177)</u>	<u>(247,823)</u>
Receivables-Net		<u>(47,470,040)</u>	<u>62,760,410</u>		<u>15,290,370</u>	<u>16,663,179</u>
Inventories	1g	116,081			116,081	114,777
Prepaid expenses		374,069			374,069	292,064
Other assets		<u>278,799</u>			<u>278,799</u>	<u>424,584</u>
Total current assets		<u>19,496,578</u>	<u>62,760,410</u>		<u>82,256,988</u>	<u>63,079,805</u>
PROPERTY, FURNITURE AND EQUIPMENT-Net	1i, 1j, 4	<u>5,225,774</u>		<u>8,713,171</u>	<u>13,938,945</u>	<u>14,212,356</u>
TOTAL		<u><u>US\$ 24,722,352</u></u>	<u><u>US\$62,760,410</u></u>	<u><u>US\$8,713,171</u></u>	<u><u>US\$ 96,195,933</u></u>	<u><u>US\$ 77,292,161</u></u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Loan payable	5		US\$	US\$		US\$ 2,500,000
Accounts payable and accrued expenses		US\$ 1,807,953			US\$ 1,807,953	2,215,900
Purchase commitments	1l	450,000			450,000	1,297,081
Other accruals		<u>147,490</u>			<u>147,490</u>	<u>569,760</u>
Total current liabilities		<u>2,405,443</u>			<u>2,405,443</u>	<u>6,582,741</u>
Provisions for:						
Repatriation of international professional personnel	1k	1,033,391			1,033,391	1,097,494
Recognition of years of services for international professional personnel	1k	2,155,799			2,155,799	2,092,456
Recognition of years of services for local personnel	1k	1,931,905			1,931,905	1,701,479
Severance indemnities for local personnel	1k	<u>3,209,044</u>			<u>3,209,044</u>	<u>2,549,814</u>
Total provisions		<u>8,330,139</u>			<u>8,330,139</u>	<u>7,441,243</u>
Total liabilities		<u>10,735,582</u>			<u>10,735,582</u>	<u>14,023,984</u>
NET ASSETS:						
Unrestricted funds:						
Regular Fund:						
General Subfund	1b	2,972,882			2,972,882	2,365,875
Working Subfund	1b	4,126,302			4,126,302	4,126,302
Institutional Net Rate Fund	1b	1,661,813			1,661,813	515,952
Fixed Assets Fund	1b	5,225,773			5,225,773	5,499,185
Temporarily Restricted Funds:						
Trust Funds	1b		62,747,576		62,747,576	42,034,858
Simón Bolívar Special Fund for Agricultural Development	1b		12,834		12,834	12,834
Permanently restricted fund-land	1b			8,713,171	8,713,171	8,713,171
Total net assets		<u>13,986,770</u>	<u>62,760,410</u>	<u>8,713,171</u>	<u>85,460,351</u>	<u>63,268,177</u>
CONTINGENCIES						
TOTAL	12	<u><u>US\$ 24,722,352</u></u>	<u><u>US\$62,760,410</u></u>	<u><u>US\$8,713,171</u></u>	<u><u>US\$96,195,933</u></u>	<u><u>US\$ 77,292,161</u></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, 2001 AND 2000 (Stated in United States Dollars)

	Notes	2001				2000					
		Regular Fund- Quotas and Miscellaneous Income	CATI's/INR	Trust Funds	Simón Bolívar Special Fund for Agricultural Development	Total	Regular Fund- Quotas and Miscellaneous Income	CATI's/INR	Trust Funds	Simón Bolívar Special Fund for Agricultural Development	Total
REVENUES:											
Quotas from Member States	1c	US\$27,508,680		US\$	US\$	US\$ 27,508,680	US\$ 27,508,680				US\$ 27,508,680
Recovery of Indirect Technical and Administrative Costs (CATI's) and Institutional Net Rate (INR)	6		US\$ 7,443,790			7,443,790		US\$6,929,021			6,929,021
Temporarily restricted funds assets released from restrictions	1f			141,651,367		141,651,367			US\$111,912,393	US\$28,641	111,941,034
Commercial and miscellaneous operations - Net	7	48,833				48,833	4,056				4,056
Total revenues		<u>27,557,513</u>	<u>7,443,790</u>	<u>141,651,367</u>		<u>176,652,670</u>	<u>27,512,736</u>	<u>6,929,021</u>	<u>111,912,393</u>	<u>28,641</u>	<u>146,382,791</u>
EXPENSES:											
Salaries-international professional personnel		9,971,544				9,971,544	10,442,146				10,442,146
Salaries-local professional general services personnel		7,506,459				7,506,459	7,886,054				7,886,054
Scholarships		232,264				232,264	254,243				254,243
IICA staff travel		916,870				916,870	1,112,919				1,112,919
Documents and supplies		522,682				522,682	560,686				560,686
Acquisition and/or rental of assets and other		959,944				959,944	872,415				872,415
Maintenance, communications and general services		1,123,496				1,123,496	1,083,917				1,083,917
Contracts, works, donations and subsidies		3,700,154				3,700,154	3,286,552				3,286,552
Annual allowance to CATIE		1,000,000				1,000,000	1,000,000				1,000,000
Annual allowance to Instituto de Investigación y Desarrollo Agrícola del Caribe (CARDI)		142,830				142,830	178,470				178,470
Miscellaneous		874,263				874,263	824,888				824,888
Sub-total of expenses related to quota budget and Working Subfund		<u>26,950,506</u>				<u>26,950,506</u>	<u>27,502,290</u>				<u>27,502,290</u>
Temporarily restricted funds assets released from restrictions	1f			141,651,367		141,651,367			111,912,393	28,641	111,941,034
Disbursements financed with funds from the Indirect Technical and Administrative Costs (CATI's) and Institutional Net Rate (INR)	6		6,413,954			6,413,954		6,280,480			6,280,480
Total expenses		<u>26,950,506</u>	<u>6,413,954</u>	<u>141,651,367</u>		<u>175,015,827</u>	<u>27,502,290</u>	<u>6,280,480</u>	<u>111,912,393</u>	<u>28,641</u>	<u>145,723,804</u>
Increase in unrestricted net assets for the year, before excluding net expenses capitalized in furniture and equipment and including depreciation expense		607,007	1,029,836			1,636,843	10,446	648,541			658,987
Exclusion of net capitalized expenses as furniture and equipment		706,995				706,995	355,933				355,933
Increase in unrestricted net assets for the year, before excluding depreciation expense		1,314,002	1,029,836			2,343,838	366,379	648,541			1,014,920
Inclusion of depreciation expense		(980,407)				(980,407)	(1,059,159)				(1,059,159)
Increase (decrease) in unrestricted net assets		<u>US\$ 333,595</u>	<u>US\$ 1,029,836</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$ 1,363,431</u>	<u>US\$ (692,780)</u>	<u>US\$ 648,541</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$ (44,239)</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, 2001 AND 2000
(Stated in United States Dollars)**

	Net Assets							
	Unrestricted				Temporarily Restricted		Permanently Restricted	
	Regular Fund		Institutional Net Rate Fund	Fixed Assets Fund	Trust Funds	Simón Bolívar Special Fund for Agricultural Development	Land	Total
General Subfund	Working Subfund							
BALANCE AT DECEMBER 31, 1999	US\$ 2,355,430	US\$4,126,302	US\$ (99,753)	US\$6,202,411	US\$38,898,670	US\$41,476	US\$8,713,171	US\$60,237,707
Restricted contributions received from donors					115,597,497			115,597,497
Net assets released from restrictions					(111,912,393)	(28,642)		(111,941,035)
Increase (decrease) in unrestricted net assets for the year	366,378		648,541	(1,059,159)				(44,240)
Prior period adjustments			(32,836)					(32,836)
Capitalization of net disbursements in property, furniture and equipment	(355,933)			355,933				
Net decrease in disbursements made on behalf of contracts, agreements, and grants receivable from donors					(548,916)			(548,916)
BALANCE AT DECEMBER 31, 2000	2,365,875	4,126,302	515,952	5,499,185	42,034,858	12,834	8,713,171	63,268,177
Restricted contributions received from donors					162,231,323			162,231,323
Net assets released from restrictions					(141,651,367)			(141,651,367)
Increase (decrease) in unrestricted net assets for the year	1,314,002		1,029,836	(980,407)				1,363,431
Prior period adjustments			116,025					116,025
Capitalization of net disbursements in property, furniture and equipment	(706,995)			706,995				
Net decrease in disbursements made on behalf of contracts, agreements, and grants receivable from donors					132,762			132,762
BALANCE AT DECEMBER 31, 2001	<u>US\$2,972,882</u>	<u>US\$4,126,302</u>	<u>US\$1,661,813</u>	<u>US\$5,225,773</u>	<u>US\$62,747,576</u>	<u>US\$12,834</u>	<u>US\$8,713,171</u>	<u>US\$85,460,351</u>

See accompanying notes to the financial statements.

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

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2001 AND 2000**
(Stated in United States Dollars)

	2001	2000
OPERATING ACTIVITIES:		
Increase (decrease) in unrestricted net assets	US\$ 1,363,431	US\$ (44,239)
Plus: Items not requiring cash:		
Prior period adjustments	116,025	(32,836)
Depreciation	980,407	1,059,159
Allowance for doubtful accounts	354	
Cash provided by (used for) changes in:		
Quotas receivable from Member States	2,019,421	(5,439,704)
Other receivables	(514,204)	536,454
Inventories	(1,304)	22,431
Prepaid expenses	(82,005)	100,090
Other assets	145,785	(148,094)
Accounts payable and accrued expenses	(407,947)	(923,457)
Purchase commitments	(847,081)	(1,549,382)
Other accruals	(422,270)	403,230
Provisions	<u>888,915</u>	<u>366,026</u>
Net cash provided by (used in) operating activities	<u>3,239,527</u>	<u>(5,650,322)</u>
INVESTING ACTIVITIES:		
Additions to furniture and equipment	(793,143)	(355,933)
Disposal to furniture and equipment - Net	<u>86,147</u>	<u></u>
Net cash used in investing activities	<u>(706,996)</u>	<u>(355,933)</u>
FINANCING ACTIVITIES:		
Restricted contributions received from donors	165,714,793	117,364,445
Disbursements made in the execution of trust funds	(145,134,856)	(113,707,982)
Loan payable	<u>(2,500,000)</u>	<u>2,500,000</u>
Net cash provided by financing activities	<u>18,079,937</u>	<u>6,156,463</u>
NET INCREASE IN CASH AND SHORT-TERM INVESTMENTS	<u>20,612,468</u>	<u>150,208</u>
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	<u>45,585,201</u>	<u>45,434,993</u>
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	<u>US\$ 66,197,669</u>	<u>US\$ 45,585,201</u>

See notes to financial statements.

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 2001 AND 2000 (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 organized on October 7, 1942 pursuant to an initiative of the Organization of American States (OAS) in the District of Columbia, United States of America for an indefinite term. IICA is an autonomous international non-profit legal entity of Inter-American scope, whose main objective is to stimulate, promote, and support the efforts of the Member States of the OAS 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:

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

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

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

Unrestricted Funds:

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

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

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

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

Temporarily Restricted Funds:

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

Permanently Restricted Fund-Land

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

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

i. **Regular Fund:** On October 29, 1999, through Resolution IICA/IABA/Res. 336 (X-O/99), the Inter-American Board of Agriculture (IABA) approved the 2001 and 2000 budget for the Regular Fund made up of Member State quotas and other miscellaneous income amounting to US\$27,508,680 and US\$2,491,320, respectively.

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

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

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

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

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

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

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

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

- g. ***Inventories*** – Inventories are stated at average cost, which does not exceed market value.
- h. ***Allowance for doubtful accounts*** – According to IICA/IABA/Res. 109 (III-E/86) dated October 28, 1986, IICA adopted the policy of recording an allowance for doubtful accounts.
- i. ***Property, furniture, and equipment*** – IICA has adopted the policy of charging the amounts disbursed and/or committed for the acquisition of fixed assets to current period expenses, and, subsequently, capitalize those amounts in the Fixed Assets Fund. Such capitalization is recorded at original acquisition cost of the asset or the market value in effect at the donation date, if they are donated. Minor repairs and maintenance expenses are charged to results of the annual activities. Such practice enables IICA to compare expenditures with annual budgeted amounts for the acquisition of fixed assets and, at the same time, to present such amounts as capitalized assets in the Statement of Financial Position.
- j. ***Accumulated depreciation*** – The historical cost (or appraisal) of fixed assets is depreciated over the estimated useful lives using the straight-line method. Fully depreciated assets still in use are maintained at a book value of US\$1.00 for control purposes.
- k. ***Provisions*** – According to the organization’s regulations, in case of resignation or dismissal, IICA pays expenses for repatriation and recognition of years of service of international professional personnel. Such expenses are computed for each official based on years of service and the number of family dependents. Likewise, local personnel are entitled to similar benefits once they no longer work for IICA. IICA has adopted the policy of recording provisions, entitled “Repatriation of International Professional Personnel”, “Recognition of years of service for international professional personnel” and “Recognition of Years of Service for Local Personnel”, respectively, to cover expected disbursements for such concepts.

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

- l. ***Purchase commitments*** – In conformity with the Rules of the General Directorate and its Financial Regulations, IICA follows the practice of recognizing a liability in its

financial statements for those commitments assumed to acquire goods and services not yet received at year-end.

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

As of December 31, 2001 and 2000, approximately 85.42% and 87.33%, respectively of such obligations are related to commitments funded through the quotas budget.

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

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

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

2. RESTRICTED CASH

Cash in banks at December 31, 2001 and 2000 includes funds held in separate bank accounts of US\$40,297,640 and US\$24,822,718 respectively, which may only be used to cover expenditures related to contracts signed by IICA and the respective donors.

3. SHORT-TERM INVESTMENTS

Short-term investments are detailed as follows:

	2001	2000
<u>In Argentinean pesos:</u>		
Time deposits, interest between 9.5% and 28% per annum (between 6.82% and 14.75% per annum in 2000)	US\$ 2,813,000	US\$ 4,133,311
<u>In Costa Rican colones:</u>		
Bonds and time deposits, interest of 11.96% and 17.05% per annum (18% per annum in 2000)	1,709,446	1,751,112
<u>In Chilean pesos:</u>		
Time deposits, interest between 7.41% and 9.68% per annum (between 5.37% and 11.76% in 2000)	460,631	1,653,510
<u>In US dollars:</u>		
Time deposits, interest between 1.64% and 6.5% per annum (2.15% and 10.5% in 2000)	10,656,812	2,713,851
Overnight deposits, interest of 0.93% per annum (3.32% in 2000)	1,160,161	485,578
<u>Other currencies:</u>		
Time deposits, real estate investment certificates, mortgage bonds and other commercial paper, interest between 4.5% and 28% (9% and 24% en 2000)	<u>2,811,452</u>	<u>1,539,731</u>
Total	<u>US\$19,611,502</u>	<u>US\$12,277,093</u>

As of December 31, 2001 and 2000, short-term investments of US\$5,497,318 and US\$9,099,344 respectively, are restricted to cover expenditures of contracts signed by IICA and the respective donors.

4. PROPERTY, FURNITURE AND EQUIPMENT

The property, furniture and equipment is detailed as follows:

	2001	2000
Unrestricted:		
Buildings	US\$ 5,205,177	US\$ 5,205,177
Vehicles	1,820,465	1,723,504
Furniture and equipment	<u>8,362,608</u>	<u>8,114,861</u>
Total unrestricted fixed assets	15,388,250	15,043,542
Less: accumulated depreciation	<u>(10,162,476)</u>	<u>(9,544,357)</u>
Total unrestricted fixed assets, net	5,225,774	5,499,185
Permanently restricted – Land	<u>8,713,171</u>	<u>8,713,171</u>
Total	<u>US\$ 13,938,945</u>	<u>US\$14,212,356</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, 2001, the net book value of such assets is US\$1,924,106 (2000: US\$2,107,837).

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. LOAN PAYABLE

As of December 31, 2000 this debt consisted of a short-term loan of US\$2,500,000, bearing 9.5% annual interest, granted by Bank of America. This loan payable was repaid in early 2001.

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

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

	2001	2000
Income:		
Inter-American Development Bank (IDB)	US\$ 501,225	US\$ 708,676
Ministry of Agriculture, Livestock, and Food – (MAGA)-Guatemala	336,898	168,263
Government of Ecuador		190,334
International Bank for Reconstruction and Development (IBRD)	573,851	676,458
International Agricultural Development Fund	162,336	149,923
Ministry of Agricultural Development (MIDA)-Panama	139,880	47,402
Integrated Rural Development Fund-(DRI) Administrative Support – Colombia	41,383	247,105
Ministry of Agriculture and Rural Development - Colombia	378,928	319,547
Secretariat of Agriculture, Livestock, and Fisheries (SAGYP) – Argentina	489,139	62,423
Secretariat of Water Resources – Brazil	122	178,125
Ministry of Agriculture – Brazil		244,814
National Institute of Meteorology (INMET) – Brazil	109,571	31,295
Secretariat of Agriculture, Livestock, and Rural Development (SAGAR) – Organization, Training, Technical Assistance and Research Project – Mexico	1,234,030	1,501,439
Secretariat of Agriculture, Livestock, Fisheries and Food-Argentina	44,109	574,333
Institute for Agriculture and Livestock Development (INDAP) - Chile	114,440	121,313
United States Department of Agriculture (USDA)	206,905	122,020
Ministry of Livestock, Agriculture, and Fisheries – Reinforcement of Plant Health Directorate – Uruguay	313,204	371,612

(Continued)

	2001	2000
Cabinet of the Special Ministry for Funding Policy -Brazil	US\$ 108,639	US\$ 120,327
Fund for National Plan of Alternative Development	206,925	
National Institute of Fishery Research and Investigation	121,499	
National Service of Sanitation and Agrofeeding Quality	113,617	
Sub-Secretariat of Agriculture, Livestock and Forestry – Argentina	111,543	
Government of the United States of America	263,386	
Ministry of National Integration - Brazil	149,800	
Secretariat of Hydro-Infrastructure of the Ministry of National Integration - Brazil	150,516	
Other institutions	<u>1,571,844</u>	<u>1,093,612</u>
	<u>US\$7,443,790</u>	<u>US\$6,929,021</u>
Expenses:		
International professional personnel costs	US\$ 575,288	US\$ 623,831
Local personnel and general services costs	1,864,651	1,834,733
Scholarships	73,280	75,180
IICA staff travel	356,474	295,262
Documents and materials	193,604	302,365
Acquisition and rental of property and equipment	372,744	744,085
Maintenance, communications, and general services	445,118	508,247
Contracts, works, donations, and subsidies	2,064,720	1,685,147
Other costs	<u>468,075</u>	<u>211,630</u>
Total	<u>US\$6,413,954</u>	<u>US\$6,280,480</u>

On October 13, 1997, through Resolution IICA/IABA/Res. 310 (IX-0/97), the Inter-American Board of Agriculture agreed to establish the Institutional Net Rate (INR) Fund. Based on this resolution, effective from 1997 any surplus of CATIs increases the balance of such Fund and, therefore, is not transferred to commercial and miscellaneous operations.

7. COMMERCIAL AND MISCELLANEOUS OPERATIONS

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

	2001	2000
Revenues:		
Interest on marketable securities	US\$1,866,785	US\$1,232,808
Proceeds from equipment sales	80,382	21,715

(Continued)

	2001	2000
Insurance refunds		US\$ 64,232
Purchase discounts	US\$ 189,584	30,576
Book sales commission	17,677	11,164
Sales of services	140,554	114,583
Other	<u>435,618</u>	<u>516,484</u>
Total revenues from commercial and miscellaneous income	<u>US\$2,730,600</u>	<u>US\$1,991,562</u>
Expenses:		
Authorized expenses from miscellaneous income:		
Salaries-local professional personnel and general services personnel	US\$ 858,412	US\$ 119,869
Scholarships	32,125	70,715
IICA staff travel	94,344	73,569
Documents and supplies	152,375	69,364
Acquisition and/or rental of fixed assets and other	192,794	205,352
Maintenance, communications, and general services	313,779	273,435
Contracts, works, donations and subsidies	1,081,360	1,391,431
Other costs	291,928	32,899
Miscellaneous	<u>31,370</u>	<u>37,842</u>
Sub-total	3,048,487	2,274,476
Exchange gains, net	<u>(366,720)</u>	<u>(286,970)</u>
Total expenses from commercial and miscellaneous activities	<u>2,681,767</u>	<u>1,987,506</u>
Excess of income over expenses	<u>US\$ 48,833</u>	<u>US\$ 4,056</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. Special members will include international governmental and non-governmental organizations, international centers, and private organizations with similar purposes as those of CATIE.

- c) IICA will contribute up to a maximum of 5% of IICA's quotas budget to CATIE's basic budget. The use of those contributions may be subject to an audit by IICA, when considered necessary. Each member country of CATIE will annually contribute with no less than US\$50,000 to cover CATIE's expenses.
- d) The new agreement will be for a 20-year period, effective from its enacting date, and may be renewed for equal consecutive terms.
- e) CATIE is entitled to the following: i) usufruct rights to land, buildings, equipment, and other property contributed by IICA, plus improvements thereto, during the entire term of the contract, and ii) all assets CATIE has acquired or will acquire in the future.
- f) Upon termination of the contract, all usufruct property as well as improvements thereto, will be returned to IICA. The remaining assets will be distributed between IICA, the Government of Costa Rica, and regular active members based on quotas paid.

During the years ended December 31, 2001 and 2000, IICA contributed US\$1,000,000 in each year to CATIE, in accordance with the approved allocation in the Program Budget.

9. DISBURSEMENTS SUBJECT TO APPROVAL

Some grant agreements subscribed with international organizations, detailed in the Exhibit 3 of the supplementary information, establish that disbursements for agreed-upon programs executed with grant funds are subject to approval or rejection by those same organizations, depending on compliance with the terms of each agreement.

10. TAXES

As a non-profit 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 Interamerican Board of Agriculture (IABA) approved, through various resolutions, the establishment of the following funds. Nevertheless, as of December 31, 2001 these funds have not received yet any contributions and therefore, remain inactive.

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

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

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

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

12. CONTINGENCIES

As of December 31, 2001, there are various litigation cases in which IICA is a party, filed through its Cooperation Agencies in Brazil, Ecuador, Colombia, Panama, Guatemala and Venezuela. These litigations are in different procedural stages and the amounts claimed are approximately US\$650,000, in the aggregate.

The legal advisors of IICA believe that no exposure to a material liability exists in connection with the ultimate resolution of these legal proceedings. Accordingly, except for a provision of US\$119,000 to cover potential losses from the litigations in Guatemala, there is no other provision for losses in the financial statements of IICA for the year ended December 31, 2001.

13. SUBSEQUENT EVENTS

On January 11, 2002, the Government of Argentina established a new exchange system. Under this system, the exchange rate of the Argentinean peso against the U.S. dollar and other major currencies will be determined according to the offer and demand. The initial exchange rate was determined to be \$1.60 (pesos) for each US\$1.00.

Jointly with the devaluation of the peso, the Government of Argentina imposed severe restrictions on the withdrawal of cash deposits, either in U.S. dollar or pesos, from the banking system. Such regulations are currently not applicable to international organizations such as IICA.

As of December 31, 2001, the Cooperation Agency of Argentina had bank accounts and time deposits denominated in pesos for a total of \$3,990,000, as well as US\$1,790,000 in U.S. dollar time deposits. All these cash deposits are placed with Argentinean banks. Most of these funds were received in trust for the execution of agreed-upon projects with governmental entities in Argentina, and were originally denominated in pesos. As of December 31, 2001, the balance of trust funds payable is approximately \$5,000,000 and such liabilities were contracted in pesos. Subsequent to December 31, 2001, such funds are being used normally to cover the operational needs of the Agency and its projects.

Due to the above, IICA management believes that there is minimized exposure to exchange losses resulting from the devaluation of the peso, and expects to continue the normal execution of the Argentinean projects under its administration.

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

SUPPLEMENTARY FINANCIAL INFORMATION

AS OF DECEMBER 31, 2001

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ENCLOSURE

1. Statement of movements of Member State quotas receivable
2. Quota budget, expenses, and appropriation to the Working Subfund of the Regular Fund
3. Statements of transactions with Trust Fund donors

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

**STATEMENT OF MOVEMENTS OF MEMBER STATE QUOTAS RECEIVABLE
YEAR ENDED DECEMBER 31, 2001
(Stated in United States Dollars)**

Country	Uncollected Quotas at beginning of year		Quotas collected during the year			Uncollected quotas at year-end		
	US\$	US\$	Prior years	Current year	Total	Prior years	Current year	Total
Antigua & Barbuda	22,851	5,502	17,349		17,349	5,502	5,502	11,004
Argentina	1,347,925	1,347,925	347,925		347,925	1,000,000	1,347,925	2,347,925
Bahamas		19,443		19,443	19,443			
Barbados		22,007		22,007	22,007			
Belize		8,253		8,253	8,253			
Bolivia		19,256		19,256	19,256			
Brazil	3,705,919	2,351,992	2,063,290		2,063,290	1,642,629	2,351,992	3,994,621
Canada		3,399,881		3,399,881	3,399,881			
Colombia	(8,592)	258,582		272,600	272,600	(8,592)	(14,018)	(22,610)
Costa Rica	71,522	35,761	67,195		67,195	4,327	35,761	40,088
Chile		148,547		148,547	148,547			
Dominica		5,502		5,502	5,502			
Ecuador	242,240	49,516	27,981		27,981	214,259	49,516	263,775
El Salvador		19,256		19,256	19,256			
United States of America	7,927,343	16,359,412	7,927,343	12,521,922	20,449,265		3,837,490	3,837,490
Grenada	537	8,253	537		537		8,253	8,253
Guatemala	1,473	35,761	1,473	26,106	27,579		9,655	9,655
Guyana	2,729	5,502	2,694		2,694	35	5,502	5,537
Haiti	38,512	19,256	38,512		38,512		19,256	19,256
Honduras	(4,374)	19,256				(4,374)	19,256	14,882
Jamaica	64,032	49,516	64,032	14,516	78,548		35,000	35,000
Mexico		1,672,528		1,672,528	1,672,528			
Nicaragua	164,751	19,256	10,000		10,000	154,751	19,256	174,007
Panama	(18,717)	35,761		42,000	42,000	(18,717)	(6,239)	(24,956)
Paraguay	148,849	49,516	79,628		79,628	69,221	49,516	118,737
Peru	676,716	112,786	112,786		112,786	563,930	112,786	676,716
Dominican Republic	99,032	49,516	99,032	46,752	145,784		2,764	2,764
Saint Vincent & Granadines		5,502		5,502	5,502			
Saint Kitts & Nevis		5,502		5,502	5,502			
Saint Lucia		8,253		8,253	8,253			
Suriname	38,512	19,256	19,256		19,256	19,256	19,256	38,512
Trinidad & Tobago	619	49,516	619	49,516	50,135			
Uruguay	71,523	71,523				71,523	71,523	143,046
Venezuela	70,126	880,278				70,126	880,278	950,404
Total	<u>US\$ 14,663,528</u>	<u>US\$ 27,167,572</u>	<u>US\$10,879,652</u>	<u>US\$18,307,342</u>	<u>US\$29,186,994</u>	<u>US\$3,783,876</u>	<u>US\$8,860,230</u>	<u>US\$12,644,106</u>
Cuba (1)		341,108						
Total		<u>US\$ 27,508,680</u>						

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

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

**QUOTA BUDGET, EXPENSES AND APPROPRIATION TO THE WORKING SUBFUND OF REGULAR FUND
YEAR ENDED DECEMBER 31, 2001
(Stated in U.S. Dollars)**

	Budget	Expenses	(Over) under execution	
			Amount	Percentage
CHAPTER 1 – DIRECT COOPERATION SERVICES				
Policy and Trade	US\$ 5,025,400	US\$ 4,850,564	US\$174,836	96.52%
Science, Technology and Natural Resources	5,314,300	5,273,495	40,805	99.23%
Agricultural Health	4,669,700	4,468,253	201,447	95.69%
Sustainable Rural Development	4,113,800	4,164,794	(50,994)	101.24%
Education and Training	2,854,200	2,743,077	111,123	96.11%
Information and Communication	<u>2,327,100</u>	<u>2,394,219</u>	<u>(67,119)</u>	<u>102.88%</u>
Total Chapter 1	<u>24,304,500</u>	<u>23,894,402</u>	<u>410,098</u>	<u>98.31%</u>
CHAPTER 2 - MANAGEMENT COSTS				
Office of the Director General	770,000	689,654	80,346	89.57%
Planning and Programming Management Unit	215,100	193,660	21,440	90.03%
Corporate Services Management Unit	<u>844,700</u>	<u>927,804</u>	<u>(83,104)</u>	<u>109.84%</u>
Total Chapter 2	<u>1,829,800</u>	<u>1,811,118</u>	<u>18,682</u>	<u>98.98%</u>
CHAPTER 3 - GENERAL COSTS AND PROVISIONS				
Working Subfund of Regular Fund	341,100	341,100		100.00%
Governing Bodies	400,000	387,797	12,203	96.95%
Insurance	205,000	240,679	(35,679)	117.40%
Pensions	301,300	155,859	145,441	51.73%
OAS Administrative Tribunal	27,000	24,051	2,949	89.08%
External Audit	<u>100,000</u>	<u>95,500</u>	<u>4,500</u>	<u>95.50%</u>
Total Chapter 3	<u>1,374,400</u>	<u>1,244,986</u>	<u>129,414</u>	<u>90.58%</u>
TOTAL	<u>US\$27,508,700</u>	<u>US\$26,950,506</u>	<u>US\$558,194</u>	<u>97.97%</u>

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