



Conference of Ministers of Agriculture of the Americas
2019 Inter-American Board of Agriculture (IABA)

Financial Statements of IICA for 2017 and 2018 and Reports of the External Auditors

IICA/JIA/Doc. 398 (19) - Original: Spanish

San Jose, Costa Rica
29-31 October 2019

INDEPENDENT AUDITORS' REPORT

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

Opinion

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 of December 31, 2018 and 2017 and the statement 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.

In our opinion the financial statements present fairly, in all material respects, the financial position of IICA as of December 31, 2018 and 2017 and the changes in its net assets and its cash flows for the years then ended, in accordance with the generally accepted accounting principles in the United States of America.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of IICA in accordance with the Code of Professional Ethics of the Association of Certified Public Accountants of Costa Rica and the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with such requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Supplementary Information in Relation to the Financial Statements and the Auditor's Report

Management is responsible for the other information. The other information comprises the details included in Exhibits No.1 to 3 the movements of Member States quotas receivable, budget and expenses by chapter and the execution of external resources by financing source, which is included for the benefit of the reader.

Our opinion on the financial statements does not cover the other information, and we do not express any form of opinion on it.

In relation to our audit of the financial statements, our responsibility is to read the other information and, by doing so, consider if that is materially consistent with the financial statements or with our knowledge we obtained during our audit, or otherwise if it seems to be materially distorted. If, based on the work that we have done, we are able to conclude that there is an important inaccuracy of this other information, we are obliged to report such matter to you. We do not have anything to report on it.

Emphasis of Matters

In our report dated June 18, 2018, we expressed a qualified opinion on the financial statements as of December 31, 2017 due to the fact that IICA showed within the "Other Termination Benefits" account the amount of US\$2,416,585 that were not supported by an actuarial studies. Amount of

other termination benefits must be adequately supported by the corresponding actuarial studies. As of December 31, 2017, in the same account, there are other items of other termination benefits in the amount of US\$3,985,948, on which actuarial studies were performed, which showed that such provisions were overstated by US\$903,062, in turn an understatement of the net assets by said amounts, which was not adjusted by Management in such period. As of December 31, 2018, this situation was corrected since the actuarial studies were performed; the corresponding adjustments for 2017 were determined, and the 2017 financial statements were restated (Note 14). Therefore, our opinion on this matter is different than the one expressed as of December 31, 2017.

In our report dated June 18, 2018, we expressed a qualified opinion on the financial statements as of December 31, 2017 due to the fact that IICA presented quotas receivable of Member States in the amount of US\$3,714,562, with aging greater than 365 days, registered in accordance with the commitments made by Member States. Since it was not possible to establish the collection period of these quotas, the Administration was unable to determine the possible effect of impairment on the carrying value. As of December 31, 2018, this situation was corrected since IICA conducted a follow-up analysis of the quotas receivable from these Member States according to their history and collection possibilities. As a result, it was determined that as of such date there were doubtful quotas for US\$4,797,879, out of which US\$4,229,079 corresponded to previous periods, and the financial statements as of December 31, 2017 were corrected (Note 14). Thus, this year, our opinion for this matter is different than the one expressed as of December 31, 2017.

Without qualifying our audit opinion, as stated in Note 13 to the financial statements, IICA is facing possible legal claims related to the execution in Colombia of the Agro-Ingreso Seguro Program.

Responsibilities of Management and Those Charged with the IICA's Governance with the Financial Statements

Management is responsible for the preparation and fair presentation of IICA's accompanying financial statements according to the generally accepted accounting principles in the United States of America and for the internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In the preparation of financial statements, Management is responsible for assessing the IICA ability to continue as a going concern, disclosing as it may be necessary, the matters related to the going concern principle and using such accounting basis, unless management either intends to liquidate of IICA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance of IICA are responsible for overseeing the financial reporting process of the Inter-American Institute for Cooperation on Agriculture.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing (ISA), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 IICA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements in the context of the applicable financial reporting framework. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on IICA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. Our conclusions are based on information available at the date of the auditor's report. However, future events or conditions may cause IICA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are required to communicate with those charged with governance at IICA regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Anayancy Porras Barrientos - C.P.A. No.2863

Insurance Policy No.0116 FIG 7

Expires: September 30, 2019

Law stamp of Law No.6663 for ₡1.000, attached and paid

June 12, 2019



INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**
(Stated in United States Dollars)

	Notes	December 31, 2018			Total	December 31, 2017 (Restated)
		Unrestricted	Temporarily Restricted	Permanently Restricted		
ASSETS						
CURRENT ASSETS:						
Cash	1e, 2	US\$28,302,143			US\$ 28,302,143	US\$ 37,311,869
Cash equivalents	1e, 3	42,930,373			42,930,373	48,910,917
Investments held to maturity	1f, 4	10,670,000			10,670,000	19,955,624
Subtotal		81,902,516			81,902,516	106,178,410
Receivables:						
Quotas from member states		15,907,901			15,907,901	13,840,530
Allowance for doubtful accounts	1g,14	(4,797,879)			(4,797,879)	(4,229,079)
Quotas from member states - net		11,110,022			11,110,022	9,611,451
Payments made on behalf of contracts, agreements and grants		679,156			679,156	544,412
Due from regular fund to trust fund	1g	(50,211,296)	US\$50,211,296			
Other		123,611			123,611	181,910
Receivables - net		(38,298,507)	50,211,296		11,912,789	10,337,773
Inventories	1h	84,567			84,567	91,624
Advances of external resources allocated	1p	252,507			252,507	451,250
Prepaid expenses		2,815			2,815	4,406
Other assets		54,920			54,920	140,489
Total current assets		43,998,818	50,211,296		94,210,114	117,203,952
PROPERTY, FURNITURE AND EQUIPMENT - Net	1i, 1j, 5	1,210,552		US\$8,713,171	9,923,723	10,282,383
TOTAL ASSETS		<u>US\$45,209,370</u>	<u>US\$50,211,296</u>	<u>US\$8,713,171</u>	<u>US\$104,133,837</u>	<u>US\$127,486,335</u>
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable and accrued expenses	14	US\$ 2,886,591			US\$ 2,886,591	US\$ 10,416,105
Other accruals		478,045			478,045	556,400
Total current liabilities		3,364,636			3,364,636	10,972,505
Provisions for:						
Repatriation and transfer of international professional personnel	1k	1,347,707			1,347,707	1,366,850
Recognition of years of service for international professional personnel	1k, 14	1,725,728			1,725,728	1,443,477
Recognition of years of service for local personnel	1k	2,985,012			2,985,012	3,336,766
Other termination benefits	1k, 12, 14	7,503,675			7,503,675	7,668,147
Other liabilities of projects	12	14,956,796			14,956,796	12,470,463
Total provisions		28,518,918			28,518,918	26,285,703
Total liabilities		31,883,554			31,883,554	37,258,208
NET ASSETS:						
Unrestricted funds:						
Regular fund:						

(Continues)

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017**
(Stated in United States Dollars)

	Notes	December 31, 2018			Total	December 31,
		Unrestricted	Temporarily Restricted	Permanently Restricted		2017 (Restated)
General sub-fund	1b, 14	US\$ 3,474,515			US\$ 3,474,515	US\$ 2,303,172
Working sub-fund	1b	4,094,736			4,094,736	4,094,736
Miscellaneous income fund	1b	25,651			25,651	250,645
Indirect cost recovery fund	1b	4,520,362			4,520,362	2,391,495
Fixed assets fund	1b	1,210,552			1,210,552	1,569,212
Restricted funds:						
Trust funds	1b		US\$50,211,296		50,211,296	70,905,696
Permanently restricted fund - land	1b			US\$8,713,171	8,713,171	8,713,171
Total net assets		<u>13,325,816</u>	<u>50,211,296</u>	<u>8,713,171</u>	<u>72,250,283</u>	<u>90,228,127</u>
TOTAL LIABILITIES AND NET ASSETS		<u>US\$45,209,370</u>	<u>US\$50,211,296</u>	<u>US\$8,713,171</u>	<u>US\$104,133,837</u>	<u>US\$127,486,335</u>
CONTINGENCIES	13	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>

(Concluded)

See accompanying notes to the financial statements.

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

**STATEMENTS OF ACTIVITIES OF UNRESTRICTED NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**
(Stated in United States Dollars)

	Notes	2018				2017 (Restated)					
		Regular Fund Quotas	Miscellaneous Income Fund	Indirect Cost Recovery Fund	Trust Funds	Total	Regular Fund Quotas	Miscellaneous Income Fund	Indirect Cost Recovery Fund	Trust Funds	Total
REVENUES:											
Quotas from member states	1c	US\$29,574,100				US\$29,574,100					US\$ 30,064,900
Recovery of Indirect Cost Recovery (ICR)	6			US\$11,102,155		11,102,155		US\$10,154,257			10,154,257
Temporarily restricted fund assets released from restrictions	1g				US\$154,762,280	154,762,280			US\$140,023,270		140,023,270
Total revenues		29,574,100		11,102,155	154,762,280	195,438,535	30,064,900	10,154,257	140,023,270		180,242,427
EXPENSES:											
International professional personnel	14	9,854,142				9,854,142	9,976,112				9,976,112
Local professional and general service	14	9,788,225				9,788,225	10,734,695				10,734,695
Training and technical events	14	1,845,097				1,845,097	2,057,000				2,057,000
Official travel		614,408				614,408	673,347				673,347
Documents and materials and supplies		439,259				439,259	835,565				835,565
Plant, equipment and furniture		246,355				246,355	433,233				433,233
General services		1,739,230				1,739,230	1,970,210				1,970,210
Work and services contracts, and transfers		1,639,987				1,639,987	1,052,718				1,052,718
Annual allowance to CATIE	8	938,100				938,100	968,400				968,400
Annual allowance to Caribbean Agricultural Research and Development Institute (CARDI)							199,222				199,222
Other costs	14	1,297,955				1,297,955	1,392,315				1,392,315
Sub-total of expenses related to quota budget and working sub-fund		28,402,757				28,402,757	30,292,826				30,292,826
Temporarily restricted fund assets released from restrictions	1g				154,762,280	154,762,280			140,023,270		140,023,270
Disbursements financed with funds from the Indirect Cost Recovery (ICR)	6			8,973,288		8,973,288		8,510,897			8,510,897
Commercial and miscellaneous operations - net	7		US\$ 224,994			224,994		US\$ 490,715			490,715
Total expenses		28,402,757	224,994	8,973,288	154,762,280	192,363,319	30,292,826	490,715	8,510,897	140,023,270	179,317,708
Increase (decrease) in unrestricted net assets for the year, before excluding net expenses capitalized as property, furniture and equipment and including depreciation of the year		1,171,343	(224,994)	2,128,867		3,075,216	(227,926)	(490,715)	1,643,360		924,719
Exclusion of net capitalized expenses as property, furniture and equipment		243,174				243,174	628,383				628,383
Increase in unrestricted net assets for the year, before including depreciation of the year		1,414,517	(224,994)	2,128,867		3,318,390	400,457	(490,715)	1,643,360		1,553,102
Inclusion of depreciation of the year		(601,834)				(601,834)	(592,931)				(592,931)
Increase in unrestricted net assets		US\$ 812,683	US\$(224,994)	US\$ 2,128,867	US\$	US\$ 2,716,556	US\$ (192,474)	US\$(490,715)	US\$ 1,643,360	US\$	US\$ 960,171

See accompanying notes to the financial statements.

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

**STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

(Stated in United States Dollars)

	Note	Net Assets					Temporarily	Permanently	Total
		Regular Fund		Unrestricted	Indirect Cost	Fixed Assets	Restricted	Restricted	
		General Sub-fund	Working Sub-fund	Miscellaneous Income Fund	Recovery Fund	Fund	Trust Funds	Land	
BALANCE AT DECEMBER 31, 2016 (RESTATED)	14	US\$2,531,098	US\$4,094,736	US\$ 741,360	US\$ 748,135	US\$1,533,760	US\$ 69,098,912	US\$8,713,171	US\$ 87,461,172
Increase (decrease) in unrestricted net assets		400,457		(490,715)	1,643,360	(592,931)			960,171
Restricted contributions received from donors							142,045,375		142,045,375
Net assets released from restrictions							(140,023,270)		(140,023,270)
Capitalization of net disbursements as property, furniture and equipment		(628,383)							
Net decrease in disbursements made on behalf of contracts, agreements, and grants receivable from donors							(215,321)		(215,321)
BALANCE AT DECEMBER 31, 2017 (RESTATED)	14	2,303,172	4,094,736	250,645	2,391,495	1,569,212	70,905,696	8,713,171	90,228,127
Increase (decrease) in unrestricted net assets		1,414,517		(224,994)	2,128,867	(601,834)			2,716,556
Restricted contributions received from donors							133,933,136		133,933,136
Net assets released from restrictions							(154,762,280)		(154,762,280)
Capitalization of net disbursements as property, furniture and equipment		(243,174)							
Net increase in disbursements made on behalf of contracts, agreements, and grants receivable from donors									
							134,744		134,744
BALANCE AT DECEMBER 31, 2018		<u>US\$3,474,515</u>	<u>US\$4,094,736</u>	<u>US\$ 25,651</u>	<u>US\$4,520,362</u>	<u>US\$1,210,552</u>	<u>US\$ 50,211,296</u>	<u>US\$8,713,171</u>	<u>US\$ 72,250,283</u>

See accompanying notes to the financial statements.

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

**STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

(Stated in United States Dollars)

	2018	2017 (Restated)
OPERATING ACTIVITIES		
Increase in unrestricted net assets	US\$ 2,716,556	US\$ 960,171
Plus: Items not requiring cash:		
Interest income from investments	(4,098,278)	(5,064,851)
Depreciation	601,834	592,931
Allowance for doubtful accounts	568,800	628,600
Cash (used in) provides by changes in:		
Quotas receivable from Member States	(2,067,371)	(681,066)
Other receivables	58,299	441,211
Inventories	7,057	(17,648)
Prepaid expenses	200,334	(198,115)
Other assets	91,472	(68,057)
Accounts payable and accrued expenses	(7,529,514)	6,046,980
Other accruals	(78,355)	238,517
Provisions	<u>2,233,215</u>	<u>6,014,159</u>
Net cash (used in) provides by operating activities	<u>(7,295,951)</u>	<u>8,892,832</u>
INVESTING ACTIVITIES		
Acquisition (disposals) of investments held to maturity	9,285,624	(4,308,624)
Interest income received on investments	4,092,375	5,067,505
Additions to furniture and equipment	(253,972)	(653,253)
Disposal of furniture and equipment	<u>10,798</u>	<u>24,870</u>
Net cash provides by investing activities	<u>13,134,825</u>	<u>130,498</u>
FINANCING ACTIVITIES		
Restricted contributions received from donors	133,933,136	142,045,375
Disbursements made in the execution of trust funds	<u>(154,762,280)</u>	<u>(140,023,270)</u>
Net cash (used in) provides by financing activities	<u>(20,829,144)</u>	<u>2,022,105</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(14,990,270)	11,045,435
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>86,222,786</u>	<u>75,177,351</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>US\$ 71,232,516</u>	<u>US\$ 86,222,786</u>

See accompanying notes to the financial statements.

INTER-AMERICAN INSTITUTE FOR COOPERATION ON AGRICULTURE (IICA)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (Stated in United States Dollars)

1. NATURE OF BUSINESS, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

- a. **Nature of Business** - The Inter-American Institute for Cooperation on Agriculture (IICA), formerly the Inter-American 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:

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

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

- b. **Basis of Presentation and Funds Managed** - The financial statements have been prepared in accordance with the generally accepted accounting principles in the United States of America (USGAAP), 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 consists of two sub-funds:
 - i. General Sub-fund - Activities of this sub-fund 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 Sub-fund is to finance execution of the regular activities planned and budgeted by IICA, including administration and management.

- ii. Working Sub-fund - The purpose of this sub-fund is to ensure the normal financial operation of IICA. According to Article No.89 of the Rules of the General Directorate, the sub-fund 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 Indirect Cost Recovery (ICR) Fund or donated thereto by a national or international organization. The balance of the Fixed Assets Fund represents the carrying amount, net of depreciation, of fixed assets owned by IICA, except for land with permanent use restrictions.
 - *Indirect Cost Recovery (ICR) 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 Indirect Cost Recovery Fund balance consists of the recovery of Indirect Cost (ICR) 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 consists of the balance of those proceeds from the General Sub-fund 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 5).

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

- **Regular Fund** - On October 22, 2015, through Resolution IICA/IABA/ Res.493 (XVII-O/15) IABA approved the 2016 and 2017 budget for the Regular Fund made up of Member State quotas and other miscellaneous income amounting to US\$30,064,900 and US\$4,300,000, respectively. On October 26, 2017, through Resolution IICA/IABA/ Res.511 (XIX-O/17) IABA approved the 2018 and 2019 budget for the Regular Fund made up of Member State quotas and other miscellaneous income amounting to US\$29,574,100 and US\$3,500,000, respectively. Miscellaneous income consists of estimated income to be generated and of resources from the miscellaneous income fund.

The above resolution authorizes the Director General to transfer amounts between budget chapters, provided that the total transfers do not significantly affect the priorities approved.

In the Exhibit No.2, a comparative analysis is shown of the detailed budget, actual expenses and respective over/under execution.

- **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 agreed upon purposes. The mentioned resolution authorized the Director General to accept contributions and donations, and to perform 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 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 include 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 with original maturity of less than 3 months.
- f. **Investments Held to Maturity** - Investments held to maturity are those that IICA intends and has the capacity hold until they mature. They are recorded at cost and valued using the amortized cost method.
- g. **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 used.

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.

IICA has the policy to record an allowance for doubtful accounts that show recoverability arrears, once the corresponding analyses have been made.

- h. **Inventories** - Inventories consist primarily of office supplies stated at average cost, which does not exceed market value.
- 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 their estimated useful lives using the straight-line method.

Below is a detail of estimated useful lives:

Property, Furniture, and Equipment	Estimated Useful Lives
Buildings	25 years
Furniture and office equipment	3 to 10 years
Vehicles	4 years

- 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, considering the actuarial probabilities of future events, future salary increases and the time value of money. Actual termination payments are charged to the provision.

- i. **Net Assets - Restricted and Unrestricted Funds** - IICA applies the accounting standards contained in the Statement of Financial Accounting Standards FASB ASC Topic 958, Not-For-Profit Entities. 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 it 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).

- m. **Revenue Recognition** - IICA recognizes the revenue from the quotas of the Member States at beginning of period according to resolution of the Inter-American Board of Agriculture, as well as miscellaneous income as the services are provided.
- n. **Indirect Cost Recovery (ICR)** - As established in certain contract agreements signed with donors (Member States, international organizations, etc.), IICA recovers indirect costs incurred in the execution of these agreements, 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 Indirect Cost Recovery (ICR) Fund.
- o. **Accounts Payable** - IICA recognizes liabilities in its financial statements when it transfers the ownership of the goods and receives the corresponding service.
- p. **Advances of External Resources Allocated** - IICA delivers advances to external entities that carry out activities related to Institute projects. The expenditures for such projects are recorded as soon as the settlement of account paperwork is submitted. These advances are related to projects financed with external resources.
- q. **Use of Estimates** - The preparation of financial statements in accordance with USGAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes. Results could differ from these estimates. Material estimates that are particularly susceptible to significant changes relate mainly to the allowance for doubtful accounts, determination of the useful lives of property, furniture and equipment, other assets and provisions for accrued expenses and other liabilities.
- r. **Financial Instruments** - Financial instruments of IICA are initially recorded at fair value and consist of cash on hand and due from banks, investments, accounts receivable, accounts payable and other liabilities. As of December 31, 2018 and 2017, the carrying amount of short-term financial instruments approximates their fair value due to their current nature.

IICA has not signed any contracts involving derivative financial instruments.

- s. ***New Accounting Standards*** - The following standard was updated in 2018 by the Financial Accounting Standards Board ("FASB"), with effect on IICA's financial statements:

In March 2016, the FASB issued ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplifies several aspects of the accounting for employee share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The adoption of this ASU did not have a material impact on the Company's financial statements.

- t. ***Recently Issued Accounting Pronouncements Pending Adoption*** -

- In May 2014 the FASB issued ASU 2014-09, Revenue Recognition (Topic 606) Revenue from Contracts with Customers. This ASU prescribes a single comprehensive model for entities to use in the accounting of revenue arising from contracts with customers and requires expanded disclosures surrounding the Company's revenue transactions. Entities are required to adopt this ASU in annual reporting periods beginning after December 15, 2018 with early adoption permitted only as of annual reporting periods beginning after December 15, 2016. There are two transition options available to entities: the full retrospective approach or the modified retrospective approach. Under the full retrospective approach, the Company would restate prior periods in compliance with Accounting Standards Codification 250, Accounting Changes and Error Corrections. Alternatively, the Company may elect the modified retrospective approach, which allows for the new revenue standard to be applied to existing contracts as of the effective date and record a cumulative catch-up adjustment to retained earnings. The Company is currently evaluating the impact of this ASU.
- In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this ASU require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The amendments in this ASU also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition, the amendments in this ASU eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. This ASU is effective for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the impact of this ASU.

- In February 2016, the FASB issued ASU 2016-02, Leases, which introduces a lessee model that brings most leases on the balance sheet. The new standard also aligns many of the underlying principles of the new lessor model with those of ASC 606, the FASB's new revenue recognition standard (e.g., those related to evaluating when profit can be recognized). Furthermore, the ASU addresses other concerns related to the current leases model. For example, the ASU eliminates the requirement in current U.S. GAAP for an entity to use bright-line tests in determining lease classification. The ASU also requires lessors to increase the transparency of their exposure to changes in value of their residual assets and how they manage that exposure. The amendments in this ASU are effective for annual reporting periods beginning after December 15, 2019 with early application permitted. The Company is currently evaluating the impact of this ASU.
- In March 2016, the FASB issued ASU 2016-08, Principal Versus Agent Considerations (Reporting Revenue Gross Versus Net). When another party is involved in providing goods or services to a customer, the entity should determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (that is, the entity is a principal) or to arrange for those goods or services to be provided by the other party (that is, the entity is an agent). An entity is a principal if it controls the specified good or service before that good or service is transferred to the customer. The ASU is effective for the annual reporting period in which the Company adopts ASU 2014-09. The Company is currently evaluating the impact of this ASU.
- In June 2016, the FASB issued ASU 2016-13, Measurement of Credit Losses on Financial Instruments, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. The ASU eliminates the probable initial recognition threshold in current guidance and, instead, requires an entity to reflect its current estimate of all expected credit losses. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in this ASU are effective for annual periods beginning after December 15, 2020. The Company is currently evaluating the impact of this ASU.
- In August 2016, the FASB issued ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments - a consensus of the FASB Emerging Issues Task Force, which addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. This ASU is effective for annual periods beginning after December 15, 2018 with early adoption permitted.

- In November 2016, the FASB issued ASU 2016-18, Restricted Cash - a consensus of the FASB Emerging Issues Task Force, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update apply to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. This ASU is effective for annual periods beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the impact of this ASU.
- In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business, which provides a screen to determine when an integrated set of assets and activities (referred to collectively as a "set") is not a business. If the screen is not met, it (1) requires that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) removes the evaluation of whether a market participant could replace the missing elements. This ASU is effective for annual periods beginning after December 15, 2018.
- In March 2017, the FASB issued ASU 2017-07, Compensation - Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Postretirement Benefit Cost. The amendments in this ASU require that an employer report the service cost component in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period. It also requires the other components of net periodic pension cost and net periodic postretirement benefit cost as defined in paragraphs 715-30-35-4 and 715-60-35-9 to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if one is presented. Additionally, only the service cost component is eligible for capitalization, when applicable. This ASU is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the impact of this ASU.
- In May 2017, the FASB issued ASU 2017-10 Service Concession Agreements in response to a consensus reached by the Emerging Issues Task Force. A service concession arrangement is one between a public-sector entity grantor and an operating entity whereby the operating entity will operate and sometimes maintain the grantor's infrastructure (for example, airports, roads, bridges, tunnels, prisons, and hospitals) for a specified period of time. The amendments in this ASU clarify that the grantor, rather than a third-party, is the customer of the operation services in all cases for service concession arrangements within the scope of ASU Topic 853. The ASU is effective for fiscal years beginning after December 15, 2018 with early adoption permitted. The Company is currently evaluating the impact of this ASU.

- On August 29, 2018, the FASB issued ASU 2018-15 to provide guidance on implementation costs incurred in a cloud computing arrangement (CCA) that is a service contract. This ASU is effective for fiscal years beginning after December 15, 2020 with early adoption permitted. The Company is currently evaluating the impact of this ASU.
- On August 28, 2018, the FASB issued two ASUs and two changes to its conceptual framework that are intended to improve the effectiveness of disclosures in notes to financial statements. ASU 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement and 2018-14, Disclosure Framework - Changes to the Disclosure Requirements for Defined Benefit Plans. The amendments to ASU 2018 - 13 Remove, modify, and add certain disclosure requirements related to fair value measurements in ASC 820, and the amendments related to ASU 2018 - 14 modify ASC 715-20 to improve disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. ASU 2018-14 is effective for fiscal years ending after December 15, 2021. Early adoption is permitted for both ASUs. The Company is currently evaluating the impact of this ASU.

2. RESTRICTED CASH

Cash due from banks as of December 31, 2018 and 2017 for US\$28,302,143 and US\$37,311,869, respectively, includes funds held in separate bank accounts of US\$24,129,284 and US\$23,868,644, 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:

	2018	2017
In Argentinean pesos:		
Time deposits, interest of 25% and per annum (2017: 23% per annum)	US\$ 266,667	US\$ 359,496
In Mexican pesos:		
Money market funds, interest between 3.62% and 5.40% per annum(2017: between 3.90% and 5.95 per annum)	18,769,354	16,248,660
In Brazilian reais:		
Money market funds, interest between 5% and 6% per annum in 2018 and 2017	15,975,816	25,453,987
In U.S. dollars:		
Overnight deposits, interest between 0.5% and 2.5% per annum in both periods	9,741	14,303
Mutual funds, interest 2.43% per annum (2017: from 1.18% per annum)	<u>7,908,795</u>	<u>6,834,471</u>
Total	<u>US\$42,930,373</u>	<u>US\$48,910,917</u>

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, 2018 and 2017, these were fully depreciated.

According to an agreement entered into 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.

6. INCOME AND EXPENSES RELATED TO INDIRECT COST RECOVERY (ICR)

On October 13, 1997, through Resolution IICA/IABA/Res.310 (IX-O/97), the Inter-American Board of Agriculture agreed to establish the Indirect Cost Recovery (ICR) 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 Indirect Cost Recovery (ICR) are broken down as follows:

	2018	2017
Income:		
Ministry of Agriculture and Livestock - Ecuador	US\$ 48,478	US\$ 60,041
Secretariat of Agriculture, Livestock, Fisheries and Food - Argentina	256,249	402,184
Ministry of Agriculture, Livestock and Food - Guatemala	179,534	131,468
National Health Service, Food Safety and Food Quality (SENASICA) - Secretariat of Agriculture, Livestock, Rural Development, Fisheries and Food (SAGARPA) - National Agrarian Registry (RAN) - México	8,087,659	7,164,750
United States Department of agriculture (USDA)	211,204	209,558
Ministries of Agriculture, Livestock and Procurement, Agrarian Development, Mines and Energy - Brazilian Institute of Environment and Renewable Natural Resources - Brazil	915,986	731,207
Secretariat of Agriculture and Livestock - Honduras	209,635	130,339
Agencies and Organizations of International Cooperation	592,050	635,400
Secretariat of Central American Agricultural Council (SCAC)	43,050	68,019
Ministry of Agriculture and Livestock Paraguay	19,454	67,339

(Continues)

	2018	2017
Other institutions	<u>US\$ 538,856</u>	<u>US\$ 553,952</u>
Total	<u>US\$11,102,155</u>	<u>US\$10,154,257</u>
Expenses:		
International professional personnel	US\$ 1,453,476	US\$ 941,364
Local professional and general services personnel	5,161,402	4,496,082
Training and technical events	49,628	129,498
Official travel	238,850	203,370
Documents and materials and supplies	418,597	485,209
Plant, equipment and furniture	314,748	653,051
General services	868,581	1,037,265
Work and services contracts, and transfers	344,708	408,535
Other costs	<u>123,298</u>	<u>156,523</u>
Total	<u>US\$ 8,973,288</u>	<u>US\$ 8,510,897</u>

7. COMMERCIAL AND MISCELLANEOUS OPERATIONS

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

	2018	2017
Revenues:		
Interest earned from investments and cash equivalents	US\$1,091,247	US\$2,087,076
Proceeds from equipment sale	56,002	57,539
Purchase discounts	54,886	299,643
Sale of services	2,645	3,473
Others	287,773	120,943
Miscellaneous services	<u> </u>	<u>44,154</u>
Total revenues from commercial and miscellaneous operations	<u>1,492,553</u>	<u>2,612,828</u>
Expenses:		
International professional personnel		253,252
Local professional and general services personnel	1,152,346	1,412,852
Training and technical events	97,934	178,830
Official travel	32,004	88,737
Documents and materials and supplies	71,311	94,388
Plant, equipment and furniture	99,687	76,945
General services	475,533	471,358
Performance, contracts and transfers	292,839	444,087
Other costs	<u>157,647</u>	<u>158,507</u>
Subtotal	2,379,301	3,178,956
Exchange (gains) - net	<u>(661,754)</u>	<u>(75,413)</u>
Total expenses from commercial and miscellaneous operations	<u>1,717,547</u>	<u>3,103,543</u>
Excess of expenses over income	<u>US\$ (224,994)</u>	<u>US\$ (490,715)</u>

8. TROPICAL AGRICULTURE RESEARCH AND TRAINING CENTER (CATIE)

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

- a. The Inter-American Board of Agriculture will be the superior governing body of CATIE.
- b. CATIE's members (partners) may be regular or special. The regular members will be IICA, the Government of Costa Rica, and the Governments of the remaining member countries of IICA, which incorporate into CATIE via acceptance of the Contract. Special members will include international governmental and non-governmental organizations, international centers, and private organizations with similar purposes as those of CATIE.
- c. IICA will contribute up to a maximum of 5% of IICA's quotas budget to CATIE's basic budget. The use of those contributions may be subject to an audit by IICA, when considered necessary. Each member country of CATIE will annually contribute US\$50,000 to cover CATIE's expenses.
- d. The 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, 2018 and 2017, IICA contributed to CATIE US\$938,100 and US\$968,400 per annum, respectively, in accordance with the approved allocation in the Program Budget.

9. DISBURSEMENTS SUBJECT TO APPROVAL

Some grant agreements entered into 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, 2018, management of IICA is not aware of any expenses not yet reimbursed, that would have been questioned or disallowed by the respective donors.

10. TAXES

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

	2018	2017
Net liability / (asset) recognized at beginning of the year	US\$4,923,417	US\$2,787,026
Net periodic benefit cost / (income)	415,18	523,432
Benefit payments	(802,110)	(308,998)
Net liability / (asset) recognized at end of the year	4,536,492	95,932
Retained profits and losses for previous periods	(501,710)	
AOCI	<u>(48,118)</u>	<u>64,183</u>
Total liability / (asset) after AOCI	<u>US\$3,986,664</u>	<u>US\$3,081,018</u>
Projections:		
Net periodic benefit cost / (income)	<u>US\$ 596,905</u>	<u>US\$ 314,004</u>
Expected benefits payments	<u>US\$ 781,281</u>	<u>US\$ 331,917</u>

Additionally, during 2018 and 2017, actuarial studies were performed in reference to termination benefits for some projects financed by external funds. The result of these studies according to USGAAP is summarized below:

	2018	2017
Changes in benefit obligation:		
Benefit obligation at beginning of year (on real basis)	US\$3,238,549	US\$2,405,715
Current service cost	586,623	497,208
Interest cost	240,431	168,549
Actuarial loss (gain)	3,465	1,009,406
Benefit payments	<u>(263,652)</u>	<u>(314,984)</u>
Benefit obligation at end of year	<u>US\$3,805,416</u>	<u>US\$3,765,894</u>
Amount recognized in the statement of financial position:		
Accrued (prepaid) liability (non-current liabilities)	<u>US\$ 992,977</u>	<u>US\$ 250,586</u>
Amount recognized in accumulated other comprehensive income (AOCI):		
Transition obligation	US\$ 625,285	US\$ 664,519
Net loss (gain)	<u>2,496,683</u>	<u>2,850,789</u>
Amount recognized in AOCI	<u>US\$3,121,968</u>	<u>US\$3,515,308</u>
Information for plan with an accumulated benefit obligation in excess of plan assets:		
Projected benefit obligation	US\$3,805,416	US\$3,765,893
Accumulated benefit obligation	<u>2,064,980</u>	<u>1,978,645</u>
Accumulated benefit obligation in excess of plan assets	<u>US\$2,064,980</u>	<u>US\$1,978,645</u>
Net periodic benefit cost / (income):		
Current service cost	US\$ 586,623	US\$ 497,206
Interest cost	240,431	168,549
Amortization of transition obligation	41,898	41,730
Amortization of net loss (gain)	<u>36,328</u>	<u>13,260</u>
Net periodic benefit cost / (income) final	<u>US\$ 905,280</u>	<u>US\$ 720,745</u>

(Continues)

	2018	2017
Items not yet recognized as a component of net periodic benefit cost:		
Transition obligation	US\$ 625,285	US\$ 664,519
Net loss (gain)	<u>2,495,534</u>	<u>2,850,789</u>
	<u>US\$3,120,819</u>	<u>US\$3,515,308</u>
Reconciliation on net balance:		
Amount recognized in accumulated other comprehensive income	US\$3,121,968	US\$3,515,308
Accrued (prepaid) liability	<u>992,977</u>	<u>250,586</u>
Benefit obligation at the end of the year	<u>US\$4,114,945</u>	<u>US\$3,765,894</u>
Reconciliation of accrued (prepaid) benefit cost:		
Accrued (prepaid) benefit cost (beginning of the year)	US\$ 251,300	US\$ (78,524)
Net periodic benefit cost	905,280	720,745
Benefits payment	<u>(263,652)</u>	<u>(314,984)</u>
Accrued (prepaid) benefit cost (end of the year)	<u>US\$ 892,928</u>	<u>US\$ 327,237</u>

Actuarial studies were performed by independent experts not related to IICA, who possess appropriate qualifications and experience preparing such reports.

13. CONTINGENCIES

General - As of December 31, 2018, IICA is a party in various lawsuits filed through its Delegations. These lawsuits deal basically with labor and/or commercial complaints related primarily to projects and are in different procedural stages. The amounts claimed by the plaintiffs are approximately US\$166,230.

The financial statements of IICA for the year ended December 31, 2018, include a provision of US\$201,960 to cover potential losses from these lawsuits. According to the legal advisors of IICA considered sufficient these legal obligations.

AIS Program in Colombia - Throughout 2018, IICA closely monitored developments in connection with the suspension ordered in 2010 by the Colombian Government of all disbursements, projects and new contracts associated with an agricultural subsidy program known as Agro Ingreso Seguro (AIS) managed by IICA on behalf of the Ministry of Agriculture and Rural Development (MADR). The Institute believes that this situation was influenced by factors outside the control of IICA, arising out of political clashes during the pre-electoral campaign of 2009-2010, exacerbated by relentless media coverage.

The suspension was followed by the anticipatory termination of agreements with AIS project beneficiaries and IICA sub-contractors. All this has given rise to actual lawsuits and concerns about the possibility of others, as further discussed below.

By Resolution No.191 of June 2010, the MADR declared IICA in default of its obligations under one of the AIS agreements, in the amount of approximately US\$5 million. The Ministry has sued the Colombian insurance company which guaranteed those obligations by way of a performance bond. The Government brought the suit, notwithstanding the fact that it has since recovered almost the entire amount from beneficiaries who it claims were mistakenly awarded that same amount in AIS subsidies.

So far, the insurer has not made any payments in relation to the lawsuit brought against it by the MADR and has vigorously opposed the suit arguing, inter alia, violations of due process, unjust enrichment, and that the Ministry itself was responsible for the defaults alleged. During 2018, the statute of limitations for the insurer to file a possible claim against IICA lapsed.

In February 2015, IICA received a formal notification informing it that it was being sued by the MADR for the sum of around US\$1.3 million, for possible breach of contract related to the AIS Program. The court green-lighted the lawsuit and the process is at the notification stage.

The Office of the Comptroller General of the Republic (CGR) and Departments informed IICA of its decision to include the Institute in a review of alleged responsibility in detriment of the financial resources of the Government of Colombia, in the amount of approximately US\$5.2 million, for activities aimed at publicizing the AIS Program.

In June 2014 and June 2018, the CGR issued resolutions that were unfavorable to IICA, and it is possible that other departmental entities will issue resolutions unfavorable to IICA. The Institute could not afford to pay the large sum being sought, but it will not have to do so in any case, thanks to the immunities that it enjoys. Therefore, the most serious consequence for the Institute is its inclusion on the list of financially liable entities kept by the Comptroller's Office. This means that no state entity may sign contracts or agreements with IICA that involve resources belonging to the Colombian State.

The Institute is still hopeful that there will be a potential solution to its differences with the Government regarding AIS, and in particular, Resolution No.191. In the event those differences remain in the judicial arena, there are a number of arguments in the Institute's favor. They include: the co-responsibility of the MADR, the beneficiaries and the consultants: force majeure of the Government: the lack of due process; and the actions of oversight bodies which made it impossible to complete the Program as scheduled and with the resources allocated. Moreover, IICA enjoys immunity from legal process under its Basic Agreement with the Government of Colombia and its agreements with other Member States where its principal assets are held.

Under these circumstances, it is not possible at this time to make a reliable estimate of the likely damages arising out of AIS. As an international organization, and considering that the administration is mindful of the interest of the governments in IICA's mission, the Institute continues to work with the Government of Colombia to bring the AIS program to a successful and amicable conclusion.

14. ADJUSTMENTS TO RESTATED

The financial statements for the year ended December 31, 2017, previously informed, were restated during the period 2018. The objective is to recognizing within the Statements of Financial Position, Statements of Activities of Unrestricted net assets and the Statements of Changes in Net Assets, the adjustment related with the accounts named Other termination benefits and the Allowance for doubtful accounts from Member States, as the results of the actuarial studies made and the analysis for the quotas receivables from the Member States according with the record and possibilities to pay the quotas. A summary of the adjustment is as follows:

Detail	Balances Previously Informed 2017	Restated Adjustment	Balances Restated 2017
Statements of financial position:			
Assets:			
Allowance for doubtful accounts		US\$(4,229,079)	US\$ (4,229,079)
Liabilities:			
Accounts payable and accrued expenses	US\$(10,723,644)	307,539	(10,416,105)
Recognition of years of service for international professional personnel	(1,273,202)	(170,275)	(1,443,477)
Other termination benefits	<u>(9,517,795)</u>	<u>1,849,648</u>	<u>(7,668,147)</u>
Net assets:			
Regular fund:			
Sub fund general	<u>(4,545,339)</u>	<u>2,242,226</u>	<u>(2,303,172)</u>
Net effect of adjustments in the statement of financial position		<u>US\$ _____</u>	
Statements of activities of unrestricted net assets:			
Expenses:			
International professional Personnel	US\$ 9,805,837	US\$ 170,275	US\$ 9,976,112
Local professional and general service	10,726,253	8,442	10,734,695
Training and technical events	2,364,539	(307,539)	2,057,000
Other costs	<u>763,724</u>	<u>628,600</u>	<u>1,392,324</u>
Net effect of adjustments in the statement of activities of unrestricted net assets		<u>US\$ 499,778</u>	

15. SUBSEQUENT EVENTS

During the period 2019 IICA has collected quotas with an aging greater than 365 days in the amount of US\$5,701,855 of Member States. The events were evaluated as of June 12, 2019, date in which the financial statements were available to be issued.

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

SUPPLEMENTARY FINANCIAL INFORMATION

YEAR ENDED DECEMBER 31, 2018

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, 2018**

(Stated in United States Dollars)

Country	Uncollected Quotas at Beginning of Year		Quotas Collected During the Year			Uncollected Quotas at Year-End				
	US\$		Prior Years	Current Year	Total	Prior Years	Current Year	Total		
Antigua & Barbuda	US\$	12,200	US\$	7,600		US\$	12,200	US\$	19,800	
Argentina				1,126,500					1,126,500	
Bahamas				20,800	US\$	20,800			20,800	
Barbados				13,100		13,100			13,100	
Belize		7,600	US\$	7,600		7,600			15,200	
Bolivia		17,000		17,000			21,100		21,100	
Brazil		5,034,929		3,652,000	5,034,929		3,652,000		3,652,000	
Canada				2,873,400		2,873,400			2,873,400	
Colombia		384,400		480,200			384,400		864,600	
Costa Rica		17,315		77,600	17,315		35,289		52,604	
Chile				429,400		214,700		214,700	214,700	
Dominica				7,600		7,600			7,600	
Dominican Republic				82,100				82,100	82,100	
Ecuador		195,800		121,400			195,800		317,200	
El Salvador		75,400		34,800	75,400		34,800		110,200	
Grenada		15,200		7,600	7,600		7,600		15,200	
Guatemala				63,900		63,900			63,900	
Guyana				8,200		8,200			8,200	
Haiti				10,700		10,700			10,700	
Honduras		3,000		15,800	3,000		12,060		15,060	
Jamaica				20,600		19,306			19,306	
Mexico		2,477,300		1,896,800			2,477,300		1,896,800	
Nicaragua				9,300		9,300			9,300	
Panama				62,000		62,000			62,000	
Paraguay		31,117		34,300	31,117		13,766		44,883	
Peru				304,000				304,000	304,000	
Saint Kitts and Neves				7,600		7,600			7,600	
Saint Lucia		9,160		7,600	7,600			1,560	7,600	
Saint Vincent & the Grenadines				7,600					7,600	
Suriname		23,383		10,700			23,383		10,700	
Trinidad & Tobago				52,800		52,800			52,800	
United States of America		1,307,647		17,435,300	1,307,647		17,435,300		18,742,947	
Uruguay				95,300		95,300			95,300	
Venezuela		4,229,079		568,800			4,229,079		568,800	
Total	US\$	13,840,530	US\$	29,574,100	US\$	6,509,208	US\$	20,997,521	US\$	27,506,729
							US\$	7,331,322	US\$	8,576,579
									US\$	15,907,901

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

**PROGRAM BUDGET AND EXPENSES BY CHAPTER
YEAR ENDED DECEMBER 31, 2018**

(Stated in United States Dollars)

	Budget	Expenses	<u>(Over) Under Execution</u>	
			Absolute	Percentage
CHAPTER 1: Direct technical cooperation services	US\$29,760,802	US\$27,472,052	US\$2,288,750	92.31%
CHAPTER 2: Management costs	1,663,669	1,337,133	326,536	80.37%
CHAPTER 3: General costs and provisions	1,351,060	1,589,684	(238,624)	117.66%
CHAPTER 4: Renewal of infrastructure and equipment	<u>298,569</u>	<u>346,042</u>	<u>(47,473)</u>	<u>115.90%</u>
Total	<u>US\$33,074,100</u>	<u>US\$30,744,911</u>	<u>US\$2,329,189</u>	<u>92.96%</u>

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

**EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

(Stated in United States Dollars)

Source	Amount
a. Member States	
Argentina	US\$ 4,096,748
Brazil	17,655,937
Canada	113,768
Chile	78,331
Costa Rica	1,405,191
Dominican Republic	43,365
Ecuador	548,050
El Salvador	56,838
Guatemala	2,791,075
Honduras	2,628,797
Jamaica	2,465
Mexico	109,210,750
Nicaragua	29,914
Panama	21,026
Paraguay	281,244
Peru	1,077,810
United States of America	2,381,026
Uruguay	1,234,674
Venezuela	<u>9,000</u>
Subtotal - Member States	<u>143,666,009</u>
b. Other Institutions and Governments	
Agresearch Limited	69,888
Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance	115,923
Andean Development Corporation	80,000
Application Européenne de Technologies et Services	77,207
Australian Embassy	29,971
Australian High Commission	22,537
Banana Growers Association	58,486
Caritas Diocese of Bilbao	18,208
Citrus Producers Association of Peru	21,096
Colombian National University	26,945
Columbia University	26,628
Commission of the European Communities	5,513,755
Corporation for Entrepreneurship and Innovation	68,286

(Continues)

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

**EXECUTION OF EXTERNAL RESOURCES BY FINANCING SOURCE
FOR THE YEAR ENDED DECEMBER 31, 2018**

(Stated in United States Dollars)

Source	Amount
Corteva Agriscience	US\$ 16,125
Crisfe Foundation	25,126
Deutsche Gesellschaft Fur Internationale Zusammenarbeit	675,924
Developpment International Desjardins, Inc.	486,894
Electric Power Company Galapagos, S.A.	11,053
Empresa Biana de Aguas e Saneamento, S.A	105,411
Global Crop Diversity Trust	51,501
Inter-American Commission on Organic Agriculture	25,949
Inter-American Development Bank	345,179
International Coffee Organization	109,847
International Fund for Agricultural Develpment	701,345
International Potato Center	43,688
Itaipu Binacional	718,691
Market Information Organization of the Americas	191,893
Ministry for Primary Industries of Government of New Zeland	21,063
National Agrarian Innovation Program	30,347
New Zealand High Commission	83,062
Technical and Vocational Education and Training	22,232
Technical Centre For Agricultural and Rural Cooperation	23,072
Tropical Agricultural Research and Higher Education Center	153,151
United Nations Development Program	148,728
United Nations Organization for Food and Agriculture	141,089
World Bank	100,438
World Food Program	100,985
World Trade Organization	571,506
Others	<u>63,042</u>
Subtotal - Other Institutions and Governments	<u>11,096,271</u>
Grand total	<u>US\$154,762,280</u>

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